

**CENTRE FOR POLITICAL STUDIES
SCHOOL OF SOCIAL SCIENCES
JAWAHARLAL NEHRU UNIVERSITY**

**PROCUREMENT AND DISTRIBUTION OF
FOODGRAINS IN INDIA — A CASE
STUDY OF WHEAT**

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of the requirements for the degree of
Master of Philosophy.**

**By
VERA SANDHU**

DECLARATION

Certified that the material contained
in this dissertation has not been previously
submitted for any other degree of this or any
other University.

Vera Sandhu

K. Seshadri
(Supervisor)

K. Seshadri
Chairman
Centre for Political Studies

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PREFACE

P R E F A C E

In so far as India is essentially an agricultural country, the importance of wheat among the food crops of India and its utility to feed the hungry millions can scarcely be exaggerated. The planned procurement and distribution of this vital food crop, the production of which is subject to innumerable natural and economic limitations is therefore, of paramount importance. Since the production, procurement and distribution of wheat is one of the manifold major problems, which have a direct bearing upon the prosperity of the masses in the country, the Government of India was impelled to adopt a definite policy in this connection. The present study endeavours to make a critical appraisal of this policy right from its very inception in 1973.

The importance of the study emanates from the fact that so far it has almost been a neglected sphere. The study portrays in great details the various aspect of the procurement and distribution policy of the Government and the problems connected with them. An attempt has also been made to present an integrated and a composite picture of the problem. The study would certainly, it is believed, stimulate further thinking on the subject and will offer a wider area of study to the researchers in the field.

The study is divided in five chapters. Chapter I is a study of the measures taken by the Government of India with a view to bring about a planned development of the Agricultural sector. The various stages in the development of agricultural policy prior to the attainment of Independence and after 1947 have been highlighted in this chapter. Chapter II deals with the working of Centre-State relations in the country after Independence in varied spheres, with special reference to agriculture. Chapter III reviews the food situation in the country especially after the take-over of wholesale trade in wheat -- its functioning, failure and the reversal of the policy the following year. Chapter IV deals with the functioning of various distribution agencies in the country both at the Central and the State level. Emphasis has been placed on the study of the Food Corporation of India, Cooperative Markets, Regulated Markets, Food Zones, etc. Chapter V draws conclusions based on a study of the previous four chapters.

The published records of the Government of India in the Ministry of Agriculture, various Constitutional documents, Reports on the policy and the Debates in the Indian Parliament are the principal sources on which the study is based. Non-official sources like the Newspapers, journals and the books on the subject, however, have not been neglected.

I owe a deep debt of gratitude to my teacher Prof. K.Seshadri, Chairman of Centre for Political Studies Jawaharlal Nehru University, under whose guidance, supervision and valuable instruction the present work has been prepared. I am also grateful to Mr. T.Swaminathan and Mr. R.P.Saxena for their help and cooperation during the entire course of my study.

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Vera Sandhu

INTRODUCTION

INTRODUCTION

The food problem is an integral part of the wider problem of the backwardness of Indian agriculture. It may partly be attributed to the prevailing Indian economic policies. Even though the market deficits are marginal yet we have not been able to achieve self-sufficiency in foodgrains. The decision of the Government to take-over the wholesale trade of foodgrains needs to be examined. In the present study, therefore, an attempt has been made to trace the interactions between the Centre and the State Governments in so far as the agencies for procurement and distribution are concerned. It may be assumed that the States' exercises can be completely nullified by the federal inaction and the federal action can be rendered ineffective by the States inaction. Such a situation may arise as a result of failure of cooperation and coordination between the States and the Centre.

The implementation of the agricultural programmes is based on an understanding and cooperation between the two levels of the Government. This has been take more or less for granted in the augury of the situation that the same party has been more or less in power in the Centre and in most of the States. It is tragic that the administrative

lacunas have existed inspite of this common look of understanding at the political level. The situation after 1967 took a turn and coalition governments were formed in most of the States. It is then that the Central government found it difficult to implement its policies and decisions in the face of opposition. As a result, administration of agricultural development programmes, as in the case of administration in several other spheres, still continues to exhibit a variety of inadequacies, particularly at the district, block and village level.. The Expert Committee on Assessment and Evaluation of the IADP in 1968-69 has referred to the administrative system as "a major constraint on the agricultural production." The Report of the Study Team on Centre-State Relationship set up by the Administrative Reforms Commission in 1967, emphasised the lack of a well-understood and a well-articulated strategy on Centre-State relationships.

In the Constitution, the enteries relating to agricultural and allied sectors are provided in the State list. As regards the Union, the Constitution did not, in express terms, confer any powers to deal with agriculture. However, in the Union and Concurrent lists, there are a number of provisions which authorise Union action in the sphere of agriculture. Coupled with the fact that the subject of economic planning is also in the Concurrent list, it is obvious that under the Indian Constitution, the Union

has been given a significant locus standi in the sphere of food and agricultural development.

The fact remains that the Indian Constitution does have an explicit entry in the Concurrent List empowering the Union to intervene in the production, supply and the distribution of a whole range of important agricultural commodities. This entry was made by a specific amendment in the Constitution. Hence, it is tenable that the Constitutional provisions are flexible and they allow a variety of permutations and combinations in the relationship between the Union and the States with regard to agricultural development. It is also pertinent to add here that even the Study Team of the A.R.C. has conceded the need for the Union to be given the powers to lay down the overall policies, and if necessary, to legislate them.

Agricultural development necessarily involves enmeshing of both the local and the national efforts. Hence, one of the main challenges of agricultural administration lies in evolving ways and means to foster a growing collaboration between the governments at the Union, State and local levels. However, the introduction of comprehensive social and economic planning has endowed the Centre with an irreversible thrust in terms of an active involvement in the field of agriculture and food production. Planning inevitably implies some amount of

centralisation in decision-making which rests with the Centre, all the more because it is in a position to secure the acceptance of national policies and programmes through the leverage of loans, grants and subsidies.

To bring about a balance between the surplus and deficit states and to have an effective control over the procurement and distribution of foodgrains, the Government of India decided to takeover the trade in wheat from April 1973. It was done with the twin objective of benefitting both the farmer and the consumer. The basic objective underlying this decision was to eliminate speculation and distortion in prices; provide remunerative prices to growers; assure availability of foodgrains to vulnerable section of population; and, to eliminate intermediaries. This was coupled with the worsening food situation in a number of states leading to riots in Gujrat, Maharashtra, etc. The Government had inadequate foreign exchange which resulted in cutting down of the imports.

While the scheme was ardently supported by many States, it was strongly resisted by other states. A review of the situation reveals that in the year 1973-74 as a whole, the procurement fell much below the targets for varied reasons. The procurement fell short of the needs of the public distribution system. The Government was compelled to revise its policy the following year but still, not much success could be achieved. The takeover scheme was considered a failure. It was a result of non-cooperation of traders and farmers alongwith a lack of proper administrative machinery to implement the policies in a proper manner.

HISTORICAL BACKGROUND

CHAPTER I
HISTORICAL BACKGROUND

Early Agricultural Policy:

For a long time, the policy of the former Government of India towards agriculture had been that of apathy and drift. The East India Company was interested in commerce rather than agriculture. After the transfer of authority to Crown in 1858,¹ the main objective of the British policy was administrative consolidation rather than economic regeneration. But, a series of severe famines that occurred in India in the last quarter of the nineteenth century roused the Government to the need of looking into the ills of Indian agriculture. Consequently, the Famine Commission of 1880, 1898, 1902 and Agriculture Irrigation Commission of 1903 made constructive suggestions for the development of agriculture. Lord Curzon's Government fully realised that a Central Institution under the direct control of the Government of India could only be the apex of their scheme and that such an institution would be valueless unless there were at the same time, a real development of agriculture in the Provinces. Consequently, the Provincial Departments of Agriculture were expanded and a specialised staff was recruited. The Government of Lord Curzon also emphatically stressed that all posts of agricultural experts to be appointed in England should be organised into one graded service with handsome

1. See Queen's Proclamation, 1858.

prospects of pay and promotion and considered it indispensable to secure for India "the pick of England's available supply of agricultural experts".² Consequently, an All India Service known as the Indian Agricultural Service was constituted in 1906.³

The years 1918-19 and 1920-21 saw the reoccurrence of famines. Then, the Government of India Act 1919, provided transfer of all subjects such as rural welfare, agriculture, veterinary, cooperation and local self government to all the major provinces later known as the Governor's Provinces. Famine relief, land revenue, administration and irrigation remained reserved subjects. Thus, for the first time the Provincial Governments acquired a legal status.

Report of the Royal Commission on Agriculture 1926:

The Commission was appointed to examine and report on the condition of agricultural and rural economy. It felt the lack of specific provisions in the 1919 Act for coordinating the work at the Central Research Institute with their counterparts at the provincial level. This was one of the lacunas in the development of Agricultural Research. The Commission also traced a wide field of cooperation between the Central and the Provincial Governments in agricultural research and opined that the Central Government should enact

2. See Jain, P.K.: The Indian Agricultural Service And The Development of Agriculture in India from 1898 to 1947. (Unpublished Theses 1975), page 29, para 1.

3. *ibid.* p.29

legislation for promoting agriculture but without encroaching upon the jurisdiction of the Provincial Government. On the Commission's recommendations, the ICAR was set up in 1929. It stated that considering the vital importance of agricultural development for general prosperity "it is inconceivable that the Government of India should divest themselves of all responsibilities for it," and that "promotion of research and provision of information were the only ways in which the Government of India could help the process of development." In fact, "agricultural research knows no provincial boundaries and that there are few, if any, research problems which do not affect agricultural development throughout India".⁴ The Commission also stated that there was nothing inherent in the 1919 Constitution which prevented the development of an appropriate machinery. Similar views were ventilated in the Commission's report in the field of Irrigation as well.

Since 1919 Reforms, it could be observed that there was a general tendency on the part of the Centre to extend the coordinating power much more than was conceived originally by the Reforms.⁵ Lack of adequate Central coordinating mechanisms hampered agricultural development. Consequently, the reserved agricultural subjects were also transferred to the Provinces via the Government of India Act, 1935.

4. Report of the Royal Commission on Agriculture in India, GOI, (Bombay, 1928) paras 35-43.

5. Report of the Indian Statutory Commission, Vol.I, GOI, 1930, p.234.

The Bengal Famine, 1943:

Separation of Burma in 1937, its subsequent fall in the Japanese hands in 1942 and the outbreak of Second World War led to the deterioration of food in the country. As a result of complete cessation of imports and crop failures in Bengal, the country saw a major famine in Bengal in 1943 when 3.5 million people were starved to death.

Consequent upon the investigations by the various authorities regarding the cause of Bengal famine, it was found that the famine was not the result of food scarcity but could be traced to shortage of transport, unsettlement and alarm over large area, hoarding, black marketing and above all to the failure of distribution mechanisms. Infact, food production in India in 1942-43 was 58.7 million tonnes as against 56.6 and 54.8 million tonnes during 1941-42 and 1940-41 respectively. The wheat production during 1942-43 was 11.24 million tonnes - was the highest on record for the previous ten years.⁶

Pressure on food resources was slightly more in the Province due to influx of refugees from Burma estimated at 4 to 5 lakhs and the presence of Defence personnel.⁷ Infact, the supplies of food were short of only three weeks requirement, that is, 0.58 million tonnes.

6. Food Statistics of India, GOI, 1946, p.29.

7. Aykroyd, W.P.: Nutrition, 1944, p.12; Cencus Report, 1-B, 1951, p.112.

The Bengal Famine Commission estimated that possibly one-tenth of the rural population of Bengal was affected by the famine and "it should be clearly understood that the greater part of the population of Bengal did not suffer from lack of food in 1943".⁸ It also pointed out that "...it lay in the power of the Government of Bengal by bold, resolute and well considered measures at the right time to have largely prevented the tragedy of the famine as it actually took place."⁹

Report of the Foodgrains Policy Committee, 1943:

The Committee recommended the setting up of an All-India Food Council for executing a common food policy for the country as a whole. It recommended for doing away with the laissez faire policy in the matter of food supply and distribution in the future.¹⁰ It felt the need for Central coordination for the movement of foodgrains. The Committee stressed that cooperation between the Centre and the Provinces could be secured by clearly defined spheres of authority and methods of procedure.¹¹

I. Grow More Food Campaign:

As a result, the Government adopted two important steps to increase production: the Grow More Food Campaign and Rationing. The former was introduced in early 1943 with a view to saving the cultivators of cash crops from ruin as well

8. Report of Famine Inquiry Commission on Bengal, GOI, (New Delhi, 1945) p. 68.

9. Ibid, p. 105.

10. Report of the Foodgrains Policy Committee, GOI, 1943, p.59.

11. Ibid. p. 124.

as to increase production both by extensive and intensive cultivation. The main steps taken herein were split into various heads like reclamation of lands, diverting areas from cash to food crops, major and minor irrigation projects, land improvement schemes and all such steps necessary to increase production. The success was achieved in the field of diversion of land from short staple cotton to food grains.

The Government of India (GOI) on May 20, 1942 and the Food Department on April 3, 1943 gave assurance to the cultivators that any development that effects the saleability of food crops, they would buy such quantities of food in the open market to prevent a serious fall in prices.¹¹ The Defence of India Act was amended in 1944 (Rule 30-B) empowering the Central and Provincial Governments to regulate crop areas.¹²

2. Rationing:

Rationing was introduced to watch the interests of non-producers, particularly of those who are employed in the essential services. The twin objectives of rationing were to meet the demands of essential commodities and to check inflationary prices. Population under rationing went up from two millions in 1934 to 171 millions in August, 1947.¹³

11. Quoted by: Knight, Henry; Food Administration in India, 1939-47, (Stanford University Press, 1954), p.125.

12. Ibid p.127.

13. Proceedings of Legislative Assembly, Vol.VIII, 1946, p.466.

To meet the increasing commitments of the Government, the latter introduced the system of procuring foodgrains, as the purchases from the open market were not possible. The scheme was not successful owing to the non-cooperation of the various states, both surplus and deficit, with the Centre. The surplus states like Punjab felt that the other parts of the country were making huge profits during depression by living on cheap Punjab grains. Hence, they claimed special treatment in the matter of rationing. The other reason for the failure of scheme was defective price policy. Hence, the vicious circle started by rationing had permeated the body politic so deeply that it became evident that imports of foodgrains were necessary to keep the distribution system going. The position deteriorated further after the war because of the inflationary movement which was in evidence from the second half of 1946.

The Foodgrains Policy Committee 1943 envisaged the formulation of a Basic Plan. It stressed to draw up a procurement plan for foodgrains with a view to distribute the deficiencies all over India so that the surplus areas could take their share of general deficiency on all-India basis and the deficit states might not be left to face the shortages alone. As a corollary, free market policy was given up and a Basic Plan came into operation, under which the Government of India took upon itself the responsibility of allocating internal supplies and imports to the deficit areas.

Post Independence Agricultural Policy:

The problem of food production became more acute after independence. The economy of the country was disrupted as a result of partition of a homogeneous unit into India and Pakistan. After partition, India had obtained 81% of the total population of the undivided India but her share in the total area was only 77%. Her share in the area under rice was 72.5%, wheat 70%, Cereals 75% and under irrigation 70%. Pakistan got more of cultivated area and irrigated land to feed a comparatively small percentage of population. The position became worse when about 10 million displaced persons migrated to India from Pakistan. India's foodgrain deficit increased by nearly a million tonnes as a consequence of separation of Pakistan. This is in addition to a deficit of 1.39 million tonnes after the separation of Burma. Thus, a serious blow to India's food economy came in the wake of depletion of reserve stocks and the necessity of imports increased correspondingly. As a result, series of governmental measures were initiated.

A comprehensive scheme of controls involving the fixing of prices, internal procurement, imports from abroad on Government account, ban on exports, planned movement of supplies within the country and rationing of supplies which were in vogue from December 1941 was continued till the end of 1947. The Grow More Food (GMF) Campaign was launched on an organised footing on the basis of detailed targets of production relating to the available resources. But, in

December 1947, a trial was given to the policy of decontrol on public insistence who believed that controls had encouraged evils like fraud, corruption, blackmarketing, etc. It was also hoped that decontrol would bring out the hidden stocks in the derationed areas. The policy of decontrol included the gradual withdrawal of rationing and price control, removal of restrictions on movement of foodgrains, and greater emphasis on internal procurement.

Report of the Second Foodgrains Policy Committee, 1947:*

It was constituted to examine the present position of foodgrains in the light of considerations of production, procurement, imports, distribution and controls and advice the Government on measures to increase domestic production and the extent to which reliance could be placed on imports alongwith the necessary modification in the foodgrains policy.

The Committee traced the history of foodgrains in the country. Till the outbreak of World War II, agricultural development was regarded as the primary concern of Provincial and State Governments and the activities of the Central Government were confined to the:

1. maintenance of institutions for imparting higher training in agriculture, forestry and animal husbandry;
2. coordination of agricultural research; and,
3. handling agricultural problems of centrally administered areas.

* During the same period the Government appointed the Foodgrains Policy Committee under the chairmanship of Sir Purshotamdas Thakurdas in a letter of Ministry of Food No. 432/s/ dated 27th September, 1947.

The Committee also reviewed the recommendations of the First Food Production Conference called in April 1942, which provided the basis for the GMF programmes undertaken in the following five years between 1943-47. The main planks of food production efforts during the period were switched from cash crops to food crops; intensive cultivation and extensive cultivation.

However, the Committee found that no easy and dependable method was available to assess accurately the increase in the foodgrains production resulting from the GMF campaign. The GMF efforts were inadequate and lacked the necessary vigour and drive. Therefore the campaign did not produce the desired results.¹⁴

The Committee examined the food economy in India and concluded that it was exposed to a number of serious risks. The total average foodgrains production was short in relation to the total requirements. The average production was subject to wide fluctuations owing to the dependence on monsoons. Certain areas were chronic deficit areas. Therefore, the Committee recommended that the country should set itself the goal of increasing food production by ten million tonnes annually within shortest possible time.¹⁵

A survey of potential resources revealed that there was considerable scope for development of multipurpose projects; rehabilitation of famine tracts, intensive and extensive

14. Report of the Foodgrains Policy Committee, GOI, 1947, p.3, ch.I

15. Ibid p.10.

cultivation. Notwithstanding the potentialities, the resources had not been mobilised and developed in the past.

The Committee recommended that agricultural development should remain primarily the responsibility of the Provinces and the States,¹⁶ while the activities of the Centre should be limited to:

1. the coordination of industrial plans of the Provinces and states into the framework of a common all-India plan;
2. the procurement and allocation of essential supplies to Provinces and States required by them for their own plans; and,
3. the reclamation of cultivable waste land.

Besides, the Committee recommended the target of ten million tonnes of increased production; completion of multi-purpose projects; proper organisational set up for special attention to cooperative societies and village panchayats to handle the food production drive along with the Central Government resources for tubewell work should be concentrated on an exploratory basis. It suggested the creation of an organisation on the following lines :

1. Establishment of a Central Board of Agricultural Planning to coordinate food production plans; and,
2. establishing provincial boards of Agriculture to advise the Central Board and the Provincial Governments and to assist the Central Land Reclamation Organisation.

16.Ibid p.19

As regards the import of foodgrains, the Committee felt that imports would be necessary for current consumption and the maintenance of Central Reserve but, the actual quantity required would vary from year to year depending on the progress of Food Production Programme and the crop conditions. However, the imports should remain a monopoly of the government during the five year period. A minimum reserve of a million tons of wheat and rice should be maintained during the five year period of the first Food Production Plan. The Committee recommended an urgent enquiry to adjudge the desirability of setting up an autonomous executive organisation to handle the foodgrains imports under the government auspices, keeping it in suitable storage and disposing it off at prices determined by the Government from time to time.¹⁷

Failure of GMF:

Sri C. Bali Reddi, a member of the Committee, traced the reasons why the GMF campaign did not produce the desired results. Among the important reasons mention may be made of:

1. the assistance needed like manures, implements, improved seeds, transport facilities, etc. were not available in an adequate measure;
2. the various restrictions on movement of goods also came in the way;
3. government restricted the agricultural prices and the peasants were not assured of remunerative prices; and,

17. Ibid. p. 28

4. another suicidal policy of allowing great disparities in the prices between different regions in the prices of rice was also followed. Therefore, the peasants had no real inducement to concentrate on the production of the foodgrains.¹⁸

On the whole, the Committee had woven round only the technical possibilities for greater production and not to the need for placing the peasant in the very centre of them and devising ways and means by which he can take to these methods with zeal and hope. Urgency of the problem of organising our peasants into cooperative societies, regulation of markets, establishment of open markets, grading, construction of warehouses, establishment of grain banks, etc. should be developed according to an over-whelming nationally well coordinated provincial plan of food production, preservation and utilisation.

The Food Bonus Scheme, 1948:

The Central Government initiated the scheme in order to increase the level of food production. Bonus was given to the States both on the quantities of cereals procured within the State and on the quantities exported to other States. This, the Centre opined, would provide an incentive to the States not only to increase procurement and production of foodgrains within the States but would also result in larger market supply thereby preventing an undue rise in market price. These expectations, however, did not materialise. The

18. Ibid. p.67

situation deteriorated further due to the impact of low Government stocks; high prices of cereals in the world market, release of pent up demand after decontrol and the push of the latent inflationary pressures. Consequently, the prices of foodgrains started increasing and the Government intensified the reimposition of controls by extending the facility of rationing to additional areas. The quota of ration per person was also raised. A new form of distribution through Fair Price Shops, which was introduced during the period of decontrol in 1947-48, also continued.

The situation of food in the country had become practically normal but still the Government remained wedded to its policy of controls imposed in September 1948. The Government also appointed two Committees during the same period viz . The Foodgrains Investigation Committee and The Foodgrains Procurement Committee to find out the possibility of increasing the procurement, improving the ration system, etc.

Report of the Foodgrains Investigation Committee, 1950:

The Committee was formed because the Government had been receiving complaints from various sections of the public that the quality of foodgrains issued to the consumers in rationed areas was bad, high prices were charged and out of proportion to the prices paid for procuring the grains.

Following are the terms of reference of the Committee:

1. Whether arrangements made for the Provinces and States for the procurement and transport of foodgrains were satisfactory and economical;

2. Whether the arrangements made for the Provincial and the States administration for the transport of imported grain received from the Central government to the storage or the consumption centres was satisfactory, economical and ensured minimum losses in transit and storage;
3. Whether the arrangements for storage and conservation of both the imported and local grain were adequate and ensured the maintenance of good quality of grain and whether the arrangements for inspection, elimination of infestation and cleaning of grain before issue were adequate;
4. Whether the arrangements for the distribution of grain to the wholesalers and the retailers was satisfactory and economical;
5. Whether the quality of grain reaching the consumer was satisfactory leaving no scope for adulteration, short issue, etc.
6. Whether various additions made to the procurement or purchase price of foodgrains for services like transport, milling, etc. were not excessive.²⁰

The above terms of reference involved a scrutiny of the present arrangements for transport, storage, preservation of quality and cost of distribution - almost all administrative arrangements connected with the procurement and distribution of foodgrains.

The Committee traced the history of the administrative arrangements. It dealt in detail the partial decontrol policy

20. Report of the Foodgrains Investigation Committee, GOI, 1950, p. 1 (under introduction).

which was reversed in September 1948 on account of steep rise in the price level. The revised policy included the control on rice, wheat, gram, maize, jowar, etc. It was left to the State to declare the price at which they could procure compulsorily, so that there could be maximum internal procurement and rationing in each area, with a view to bring about the general reduction of foodgrain prices. This was to be substantiated by sufficient imports to facilitate the transition from decontrol to control. The subsidy on imported grain was to be shared by the Provinces and the Centre in the ratio of 1:3 and in equal proportion between the States and the Centre. This was alongwith the bonus of 8 annas per maund on quantities exported by them in the Basic Plan. The decision came into force from October 1948. The above policy was reaffirmed at a Conference of the Food Ministers of States in October 1949 and again in January 1950.

The Committee divided the food controls into two groups: 'All India Controls' and 'Local Controls'. The former had two principles: procurement of foodgrains from abroad on monopoly basis by the Central Government and implementation of All India Basic Plan (AIBP). The important features of local controls were rationing and controlled distribution and the procurement of grain for meeting the commitments of the State Governments. The AIBP is nothing more than the ledger account of assets and liabilities which is prepared for each crop. For each, the State Government provides the estimates of production, consumption and the extent to which they are in surplus or deficit. The Centre compiles the returns and prepares a balance sheet.

The Committee then reviewed the procurement and distribution system. Under the former, the purchases were made on Government account direct from the producer/agents or from traders/millers. In all cases, some method of control was adopted to maintain the price limit, for example, Bombay, Madras, Mysore and Cochin have the system of Monopoly and a levy; Orissa, Assam and West Bengal had monopoly without a levy; Uttar Pradesh, Madhya Pradesh and Bihar had levy without a monopoly while other states had neither monopoly nor a levy. Levy covered every case where producer was legally obliged to sell. The distribution system included rationing and controlled distribution - the latter being a loose form of non-statutory rationing.

The Committee felt that there was some substance in most of the complaints and that they were inherent in all systems of state trading. Reviewing the working of controls, the Committee felt that the relatively poorer classes felt strongly that if the things were left entirely to traders, they would take an undue advantage of even minor shortages and push up the prices. Therefore, the Committee recommended the immediate adoption of:

1. assuring adequate ration to the entire rationed population as the scale of cereal ration of 12 ozs. was inadequate and that the majority had to supplement their ration by resorting to the cereals sold in the black market;
2. quality of grain supplied through ration shops should be good and completely cleaned;

3. pure and not adulterated grain should be issued;
4. family ration shops should be substituted for individual ration cards;
5. bonafide travellers should be allowed to take their quantity of ration along with them;
6. increased association of public with food administration;
7. bringing down the cost of distribution and the consequent benefit be passed on to the consumer except where issue price is already comparatively lower.²¹

The Committee recommended the improvement of existing structures of storage; provision of adequate quantities of insecticides and cleaning machinery alongwith the appointment of technical staff to ensure examination of conditions of grain. To check the quality of grain, the Committee suggested, the issue of cleaned grain through ration shops; display of samples in ration shops; need of a strong inspectorate; proper selection of retail dealers alongwith the laying down of strict specifications to the purchase of grain.²²

The Committee viewed that the payment of huge food subsidy did not achieve the object for which it was intended, that is, the stabilisation of prices. Distribution costs in respect of common items should be put on a more uniform and reasonable prices. Internal grain of the same quality exported by all the surplus States should be pooled together on the basis

21. Ibid. pp. 2-8.

22. Ibid. pp. 21-30

of weighted average and uniform prices be charged from all recipient Governments. Uniform standard of weight should be adopted in all the States. The Central bonus on procurement should be given up. The Central subsidy on foodgrains should be regulated by well governed and recognised principles. It should not be allowed to States in which the internal price level is higher than that of imported foodgrains.²³ The recommendations of the Committee were accepted by Government.

Report of the Foodgrains Procurement Committee, 1950:

The Committee was constituted to enquire into the systems of procurement and distribution adopted in the States; to recommend changes, if any, necessary in the existing system; to recommend modifications in the food organisation of the States to ensure efficiency; ensure uniformity in the system of procurement and distribution in the country as a whole; and, to suggest changes necessary in the Central Government's organisations to supervise and coordinate the procurement and distribution operations in the States.²⁴

The Committee found it necessary to have an all-India coordinated policy because it was difficult to find traces of an identical food policy, for example, loose control was established in Bihar while the concentrated system prevailed in Madras, Cochin and Bombay. The two have as many variations

23. Ibid. pp. 41-44

24. Report of the Foodgrains Procurement Committee, GOI, 1950,
p.1

as the States. The variations tend to be even wider in relation to deficit and the surplus States.²⁵ There was confusion and even contradiction in the objectives of the food policy, for example, a determined attempt was made to grow more food but no solution was indicated of the contradiction into this - controlled prices of foodgrains and the uncontrolled prices of other crops, grown by the same producer; foodgrain prices are to be lowered simultaneously with a declared and widely publicised policy of reducing and then stopping imports; and, the Government is endeavouring to bring down, or at least stabilise food prices simultaneous with permitting open market prices to find their own level. The result is a wide divergence between procurement prices fixed by the State and the market price in those very States.²⁶

There are other obvious and practical contradictions in these very objectives. The Committee felt that as these are inherent in the Indian food situation, they should be absorbed in the common policy but that has not been done resulting in the pursuing of objectives with no clear recognition of the limitations which each imposes on the rest. This, along with a lack of a stand of assessment and valuation, makes practical administration extremely difficult and hazardous and accentuates contradiction in policy, for example, in the case of rationing the main objective was the

25. Ibid. p.6

26. Ibid. p.7

guaranteed and an equitable distribution of food to all consumers in rationed areas. In administration of food, rationing of feeding through Fair Price Shops (FPS) is considered interchangable. The consumers were free to buy from open market. In most places, it did not insist on card to serve as the basis for supply but only imposed a restriction on quantity purchased in a single transaction. It is also obvious that the Fair Price Shop can not help procurement to the same extent as rationing, as it did not attempt to cut the consumer off from the market. This had led to further difficulties in procurement.


The Committee found that even at the policy level, an answer has not been found to the question where a failure or difficulties in procurement are to be met by strict and more rationing, or a complete withdrawal from commitments or a partial withdrawal. As a result each state finds its own answer to this fundamental distribution problem.²⁷

This calls for a stress on the need for more procurement, more rationing, reduction of commitments, a lower price level, need for control, etc. so that the working of decontrol can be established as soon as possible. All this had created more real hope for decontrol and such a belief adversely affected the procurement operations in States.

The Committee concluded that a logical consistent policy had not been defined and enforced, resulting in the failure of recontrol.

27. Ibid. p.8



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Under the proposed food policy, the Committee recommended the establishment of a stable and reasonable price level for foodgrains to ensure supplies to consumers. The Committee analysed the existing system of procurement and distribution and concluded that there were five main systems viz.²⁸ the Intensive Procurement System found more in Madras, acted on the principle of universal procurement and rationing, the only exception being the Producer himself who was rationed indirectly by allowing him to retain a share of produce for his own estimated requirements; Monopoly-cum-levy System found in Bombay and Hyderabad - which limits to taking of substantial surplus from the farmer calculated on a series of formulae. It prohibited all sales of grain to anybody other than the Government; the Levy System which is found in Saurashtra where the Government takes a fixed quantity from the produce directly at a fixed price. The balance is left usually to find its own market and at its own price. The distribution commitments are limited to feeding only the vulnerable sections and admits a free market price. Monopoly system ensures that no transactions in grain would take place outside the village except to the Government at a fixed price. It is more intense in Punjab and permits practically no transactions. In Orissa, transactions of 10 maunds and below are exempted both in regard to movement and sales. In West Bengal, transactions and movements within a cordoned area are allowed. In regard to distribution, the complete monopoly implies supply by the Government to all completely deficit areas. Price control at all stages of

28. Ibid. p. 12-14

development was automatic. Commercial transactions in grain were not allowed. Trade Levy was established only in Madhya Pradesh and was identical to that of the levy of the producers but its application took place at the stage where supplies had gone to the traders. The Government took a fixed amount of supplies passing through each trader's hands at a fixed price. On the distribution side, the Government took up such commitments as it wished for example, in Madhya Pradesh, it distributed through FPS. There was a free market at all stages in regard to the prices. The trade functioned freely subject to the payment of Levy. The system failed for wheat and jowar in Madhya Pradesh but worked for rice.

The Committee recommended a uniform system of procurement and distribution by having a monopoly on foodgrains in the Government hands at the primary market and even on distribution side, monopoly was desirable under the Government supervision and personnel.²⁹

The Committee ruled out the zonal system because any freedom in trade implied a price margin to operate.³⁰ System of controls starting beyond the market were difficult to work and there were many loop-holes for the evasion of law. The assumption that given self-sufficiency, supplies even-out are not based on fact. Therefore, the Committee concluded that a bad scheme, well administered, produces

29. Ibid. p.15-17.

30. Ibid. p. 18.

less damage and discontent and the monopoly of Government in grain trade involves responsibility and if exercised in a dilatory way, will result in odium. The Committee also concluded that the dependence on imports could be reduced by greater administrative efficiency in the procurement of foodgrains and their distribution.

The Committee made the following recommendations in respect of the monopoly procurement system:

It should be introduced in the middle of a crop year so that it coincides with a period of declining arrivals and will then mean taking on commitments by stopping or impeding the normal flow of supplies without the means of acquiring the supplies. It is a mistake to introduce monopoly procurement in only the surplus or only deficit areas since the full results of the scheme cannot work unless introduced simultaneously. It was advisable that the provisions of the scheme be backed by law and necessary notifications be issued. Staff should be able to foresee and forestall difficulties to avoid malpractices and such tendencies be nipped in the bud by timely distribution. The Government should maintain substantial reserve stocks to meet food situation. The prices should be controlled at each stage. Monopoly should be applied to all foodgrains which are the staple diet of the people, and those which may help meet the demand for food, even if the production is small.

Reviewing the functioning of the food organisations at the Centre and the State level, the Committee suggested that

internal food administration must exclusively be a responsibility of a State Government. Portfolios of GMF and Food Controls should be in the hands of the same Minister in each state. These and many other suggestions were given. Since an all-India policy has to be administered and since the acts and efficiency of each state will react on other, the Committee recommended that the Central Government should be consulted in the selection and appointment of the Secretariat Authority responsible for food administration.

As for the Centre, the Committee felt the need for a coordinating supervisory authority for the adjustment of matter affecting two or more states; the administration of imports and internal surpluses and deficits; supervision of state administration for the implementation of the accepted policy. As the policy and administration go together, the Committee recommended the setting up of the Regional Food Commissioner's (RFC) Organisation, and of the Deputy Regional Food Commissioner. The former should be responsible for representing the Centre to coordinate and supervise the work in region and the latter should be abolished as they are quite ineffective. They may be retained only to relieve RFC's at Headquarters, or routine administration work and in outlying stations. At the Food Ministry, there should be two whole-time officers to coordinate and supervise procurement and distribution operations. They should have a direct access to RFC's and through them to the State Government on the one hand and to the Secretary Food Ministry on the other hand to ensure

that the local problems are brought to the knowledge of the Ministry backed by full information. The Committee felt that these recommendations did not mean any additional finances.³¹

Measures adopted by the GOI:

The Government, on the recommendations of the Food-grains Policy Committee 1947, decided to give a trial to the policy of progressive decontrol and so a ban on inter-state movement of foodgrains was not lifted; imports on Government account were also continued. Basic quotas for movement of foodgrains out of surplus areas and into the deficit areas were fixed. State Governments were asked to reduce their rationing commitments and as far as possible to meet their commitments out of internal procurement. To augment internal procurement, States were allowed food bonus.

Reimposition of Controls:

The Government's expectations that the revived free trade would boost up production and help increase the internal procurement, however, did not materialise. On account of shortfall in procurement, low Government stocks coupled with an increase in demand following decontrol, led to an upward trend in the prices. The State Governments increased their demands on the Centre leading to an increase in imports. As a result, the controls were reimposed.

31. Ibid. p.20-24

Position after 1950:

The functioning of the revised system was investigated into by the Foodgrains Investigation Committee. What followed was reviewed by the Foodgrains Procurement Committee. The latter's recommendations were not unanimous. The majority of the recommendations were not acted upon. At this time, the food situation deteriorated because of a considerable damage to the crops by a succession of natural calamities during June-December 1950. This was coupled with a boom in commodity market the world over with the outbreak of Korean War in June 1950. In April 1951, the prices reached an all-time peak. This led to large scale hoarding and procurement became difficult. The administration of food grains controls became increasingly dependent upon imports. The situation was saved because of a wheat loan from US Government of 2 million tonnes. This was a prelude to what became a part of policy five years later.

In spite of the Government's appointment of the three Committees, nothing tangible could be achieved and the imports continued.

Munshi Plan:

Shri K.M. Munshi, the then Home Minister in 1951, envisaged that the policy of food controls could not be dispensed with and hence, the demand would be met by resorting to increased imports of foodgrains. He visualised a scheme wherein foodgrains requirements of the vulnerable areas would be met entirely from imports by the Central Government and

this would be supplemented by the States' barrier of movement of foodgrains, their prices and controls in the uncordoned areas be abolished alongwith the opening of Fair Price Shops in non-vulnerable areas. The scheme was not accepted by the Government in view of the fact that imports of the quantities in need would not be possible and because, the standing crops were adversely affected by natural calamities.

Planning Commission's Views:

The Planning Commission in its Draft Outline of the First Plan referred to the problem of food controls and recommended monopoly procurement and urban rationing as minimum measures to be found in all the States along with the need for subsidising distribution of imported foodgrains. The Commission didnot entertain the idea of decontrol as the traders in free market would charge exorbitant prices by buying large supplies. As a result, the economy would become unstable because the internal procurement would be given up. It emphasised on maintaining an appropriate structure of prices between food and cash crops in order to meet the targets for food.

G.M.F. and I.P.P.:

To step up food production, the Government decided to supplement G.M.F. Campaign by an 'Integrated Production Programme' announced in June 1950. The experience of implementing it showed that even the ideal of relative food self-sufficiency was not achieved. Seasonal variations in production also turned out to be very substantial. Dependence on imports continued. The situation was, thus obviously unsatisfactory.

The GOI, therefore, appointed GMF Enquiry Committee in 1952 to examine the working of GMF campaign.

The Committee concluded that the GMF campaign had not achieved the results expected of it. It had not aroused the expected enthusiasm. The Committee observed that the problem of food production was a much wider one. It included agricultural improvement as an integral part. Among its important recommendations were: the setting up of a country-wide Extension Service Organisation; the acceleration of minor irrigation programmes; and, the provision of adequate rural credit.

The recommendations of the Committee were incorporated into the programme for agricultural development drawn up under the First Plan wherein a target of 7.6 m. tons of additional foodgrains was fixed to be achieved. It also envisaged substantial increase in the output of commercial crops. The proposed target was to be achieved only through the GMF Schemes but also through major and medium irrigation projects along with NES and Community Development. It led to an improved food situation. An improved shift on Community Development Projects was partly followed as a result of the recommendations of the Committee.

Following the spurt in agricultural production in 1951-52 agricultural season, the prices started showing a downward trend. Consequently, the GOI decided to withdraw the subsidy on most of the foodgrains which imposed heavy financial strain on the Central Exchequer. Therefore,

grains issued from the ration shops became more costly but open market prices of foodgrains, in many places, were much below the rates at which the foodgrains were being issued from the ration shops. Hence, the demand of foodgrains shifted from ration shops to open market and thus helped the accumulation of stocks with the Government.

Kidwai Plan:

With the signing of trade agreement with Korea, the commodity boom abated. The crops in 1952-53 and 1953-54 were good. The year 1953 opened with a comfortable stock of 19 lakh tons with the Central and State Governments. With the increased availability of foodgrains in the open market at lower prices, the demand on rationing and fair price shops declined. Imports were continued. State Governments' off-take from the Central Government stocks also diminished. To meet the "storage crisis", the GOI cancelled half a million tons and staggered further imports. All this prompted the Government to relax rigid control measures. Gradual relaxation was introduced and the first province to have been given the trial was Madras in 1952. Following it, statutory rationing was replaced by distribution through Fair Price Shops in Bihar, U.P., West Bengal, Hyderabad, Madhya Pradesh, Mysore City and Saurashtra. Price Support Purchases were also needed on a small scale during 1953-54 and 1954-55.

In Madras, the city was divided into six zones and intra-movement of rice was allowed. This resulted in the prices rising high in surplus and declining in the deficit zones.

However, in the anticipation of the new crop, the prices again showed a downward trend. Thus the success of decontrol policy led other States to follow. Within two years, controls were practically given up and the country seemed to be self-sufficient. Consequently, procurement was completely given up in 1954 and statutory rationing discontinued in July of the same year.

Though the general supply situation was easy, yet the Central Government negotiated with the United States for imports but in October 1955, due to failure of crop, the food situation in the country began to take a rapid turn for the worse. Between June and December, 1955 the price index of Jowar, Bajra and Wheat rose. There was an increased pressure on the demand side. The prices also showed an upward trend. To counter the price rise, the GOI decided to revise its system of distribution because the situation was taken advantage of by the speculative elements. Consequently, the Government with the help of Reserve Bank of India introduced the policy of credit squeeze - credit controls by the middle of 1956. In spite of this, there was no substantial fall in the prices. Short term measures like licensing of wholesale traders and establishment of Fair Price Shops for distribution of foodgrains in scarcity areas were also initiated.

In a letter dated 25th September 1956, addressed by the Ministry of Food and Agriculture to all the State Government outlined the following system of distribution:

1. Closer scrutiny of arrangements for the sale of rice and wheat through FPS;

2. selection of reliable retailers and fixation of the retail sale prices of rice; to bring down the number of intermediaries between the Central Government godowns and the actual consumer;
3. the retailers should draw wheat from Central Reserve Depots (CRD) and where CRD is not available, State Governments should set up their own sale depots and they should make minimum profit to meet their expenses for distribution of wheat; and
4. a small security deposit be taken from retailers in the event of malpractices.

However, no identity cards were issued and no restrictions were imposed upon the purchase of grain from FPS. It had an adverse psychological effect.

Report of the Foodgrains Enquiry Committee 1957:

A Committee was set up to review the food situation and examine the causes of the rising trend of foodgrain prices since about the middle of 1955; to assess the likely trends in demand and the availability of foodgrains over the next few years; and, to make recommendations to ensure a level of prices which would provide the necessary incentive to the producer with due regard to the interest of the consumer and the maintenance of a reasonable cost structure in the economy.³²

Reviewing the food policy, the Committee concluded that between 1951-57, the Government's policy regarding food

32.

Report of the Foodgrains Enquiry Committee (Ashoka Mehta Committee), GOI, 1957, p.1

distribution had undergone a change successively from complete control to complete decontrol and back to partial control. Rationing, procurement, fair price shops and zones were all abandoned. Prices fell low, imports were cut down, price support operations were undertaken and some exports allowed. Later, prices took an upward trend resulting in the prohibition of exports, arrangement for larger imports, sales from Government stocks, opening of FPS and bringing back of the zonal system. On 26th January, 1955, the Essential Supplies (Temporary Powers) Act 1946 lapsed and with it the Foodgrains (Licensing and Procurement) Order 1953 also lapsed automatically.³³

Analysing the causes of rise in prices the Committee pointed out that an increased tempo of investment since 1955 in both the public and private sector was primarily responsible for it. A large part of the rise in the general level of prices may be ascribed to a general increase in demand resulting from the increase in investment - expenditure accompanied by deficit financing and credit expansion. Some of the relevant factors bearing on the demand for foodgrains during the period of rise in prices are: a steady increase in purchasing power; some possible shift in the distribution of national income in favour of lower income brackets; and, the high income elasticity of demand for foodgrains by the bulk of Indian population who live on the marginal level. This was

33. Ibid p.17-21

followed by an increased tempo of industrialisation and urbanisation in the country. On the supply side, the fall in the production of millets initiated the upward trend in prices and increased the pressure of demand on both rice and wheat. This was aggravated by unfavourable weather conditions and irregular monsoons. Undue optimism about food situation also led to the slackening or at least prevented the accelerating efforts for increased food production.³⁴

To sum up, the rise in prices, since the middle of 1955, is essentially an outcome of monetary and other general factors interacting on certain aggravating factors pertaining to demand and supply of foodgrains along with a structural discrepancy that had resulted in our economy.

Among the various recommendations of the Committee, the important is the setting up of Price Stabilisation Board (PSB), a highpowered authority for the formulation of policy and programme for price stabilisation in general. Unfettered private trade was undesirable. Even full control has its own difficulties as it involves a large increase in Government's commitments for maintaining supplies to the rationed population. Also a rigid system of procurement is resented by farmers.³⁵

In order to stabilise prices, market operations will have to be carefully planned and conducted. This could be

34. Ibid. p.36-39

35. Ibid. p.75-83

best done by the Price Stabilisation Board which would examine not only the food prices but also the prices of related consumer goods. It also recommended the setting up of Central Food Advisory Council to assist the Food Ministry and the PSB. It would compose of representatives from all walks of life and would meet as often as necessary but at least twice a year, to consider the various aspects of food problem - short term and long term. These, along with price intelligence division will help to keep a careful watch over price situation.

The Committee also recommended the setting up of a Foodgrains Stabilisation Organisation (FSO) which will operate as a trader in the foodgrains market with branches of its own in all important mandies, particularly in surplus pockets and centres of distributive trade. It will, from time to time, formulate the policy for price stabilisation and determine the programme of enforcing it. It will have to fix limits of prices at which it would buy or sell within the range of prices for its operation fixed by Government on the advice of the proposed FSB. Its primary responsibility is to execute that part of the policy and programme framed by PSB as may relate specifically to purchase and sale operations. It would neutralise the elements of speculation and cornering of foodgrains by private merchants. Besides, it will build up and maintain an adequate reserve stock as distinguished from any bufferstock. The Committee felt that some sort of

compulsory procurement was necessary and the simplest way of doing so was to cordon off certain areas and make FSO the sole buyer in those areas for the purposes of export.³⁶

Besides, the Committee recommended the setting up of cheap foodgrain shops; adopting temporary measures of food control in Bombay, and Calcutta; removal of rationing and control; takeover of wholesale business in foodgrains by the Government; encouragement of imports for a few years; intensification of the GMF campaign coupled with strong check on the rate of growth of population. These recommendations were accepted by the Government to a large extent.

Review of the Government Takeover of Wholesale Trade 1958:

In November 1958, the National Development Council decided that the State should takeover the wholesale trade in foodgrains. For this purpose, an adequate number of primary marketing societies should be set up and linked with the village cooperatives which should serve as agencies for collection and sale of foodgrains at assured prices at the village level. A working group was constituted which recommended that the objective of state trading was to maintain price levels which were fair to both the producer and the consumer. The proposals involved the steady expansion of purchases by the Government so that it could have a position of strategic control over the market alongwith the intensification of existing measures. The net work of marketing

36. Ibid. p.84-95.

cooperatives capable of taking over the entire marketable surplus should be built up. As an interim measure, it provided for the regulation of the wholesale trade by licensing of dealers with obligations to submit returns to the Government regarding purchases, sales, stocks, etc.

Govt. of India considered the report and decided that:

1. the ultimate pattern of state trading was to consist of a system which provided for the collection of farm surpluses through the service of cooperatives alongwith the apex marketing cooperatives for distribution through retailers and the consumer cooperatives;

2. while the Government had the right to acquire the whole or a portion of the stock from the licensed traders at controlled prices, the traders were at liberty to sell their remaining stocks to the retailers at prices not exceeding the controlled prices. They were to maintain proper accounts of purchases, sales transactions and submit periodical reports to the Govt.;

3. in the initial stages, it was to be confined only to rice and wheat; and,

4. to ensure that the producers get minimum prices, the Government proposed to set up an agency for making direct purchases of foodgrains.

The decision was extended to all States but the system of procurement and purchases differed. Hence, within one year, state trading in deficit states was given up. Procurement of wheat was also suspended in Rajasthan from March 1960; in Punjab from July 1960; in U.P. from August 1960; and in Madhya Pradesh from August, 1960.

The effect of suspension of purchase operations in deficit and the marginally placed States on the market arrivals was quite beneficial. Encouraged by the experience, the Government stopped all purchases of rice even in the surplus States except in Madhya Pradesh and Punjab. The shrinkage in market arrivals was one of the major reasons for price rise in 1959. To ascertain the exact behaviour of market arrivals of rice and wheat, a special Inquiry was conducted in July-August 1959 by the Agro-Economic Research Division under the Directorate of Economic and Statistics, Ministry of Food & Agriculture. The report of the Inquiry Committee revealed that wheat arrivals were lower in U.P., Punjab and Madhya Pradesh in the post harvest period of 1959 than in the corresponding months of 1958. It was on account of price consciousness, the greater hoarding power of the producers, and the procurement and price control policies adopted under the scheme of the State Trading.

The market arrivals of wheat in U.P. diminished after May 1959 as a result of raids by Food & Civil Supplies Authority of the State Government under the provision of U.P. Wheat Procurement (Levy) Orders and the U.P. Wheat Price Control Orders. In Madhya Pradesh, market arrivals were low in apprehension of a compulsory levy but increased after the announcement of purchase policy on voluntary offers. Procurement policy had no adverse effects on market arrivals in Punjab due to non-interference by the Government there.

With the suspension of State trading, the procurement of foodgrains was gradually reduced. In view of large and assured supplies of wheat available from the United States, procurement from domestic production was not necessary. The strategy for influencing the food market was thus mainly to bring in the additional supplies and release them in sufficiently large quantities.

Report of the Ford Foundation Team, 1959:

The Committee gave constructive suggestions for solving the country's food problem. The Team suggested a 110 million ton target to provide enough food for the added millions; to provide some dietary improvement; and, a safety margin for the poor crop years and emergency condition. It stated that the target could be achieved if an all-out emergency production was undertaken and food production was given the top priority.

The Committee emphasised that the funds available to the Government under PL 480 should be utilised for the most effective use of abandoned rural unemployed and under-employed labour resources. It suggested the undertaking of some public work programmes to help the agriculture labour. This should be done alongwith a programme tailored to fit the conditions prevailing in the area. The farmer should be given loan even on the basis of the standing crop as it helps him to secure better prices for his crop. The Team also recommended the provision of leadership and coordination among the farmers. It laid emphasis on extending increased administrative powers to

the Food Ministry....

while the National Development Council and the Planning Commission should only set broad outlines. Only those Projects should be selected which make an immediate and a greater contribution in increasing the food production. Suitable storage facilities should be provided for foodgrains.³⁷

As a result, the Government built up buffer stocks. A Food Bank of 5 million tons was built up. Storage facilities were provided by the Central and State Warehousing Corporations in addition to the Government's own storage programmes. The foodgrains were increasingly distributed through FPS in the deficit pockets of the country to meet the needs of vulnerable sections of population. The wholesale dealers of rice and flour mills were licensed and minimum support prices were prescribed.

Shortfall in production and rising pressures on the foodgrain prices in 1960-61 led to the introduction of several measures by the Government to meet the emergent situation. The main trend of the policy was towards greater regulation and control on the sale, purchase and movement of foodgrains. During the period 1960-61 to 1963-64, all foodgrains except rice were allowed to move freely through out the country and no restrictions were imposed on the price, purchase and sale of the foodgrains. This was a result of an increase in the import of foodgrains

37. Report on India's Food Crisis and Steps to Meet It, by the Agricultural Production Team sponsored by the Ford Foundation April 1959, p. 3-7

under PL 480 programmes. During the same period, four rice and eight wheat zones were created. They were comprising contiguous deficit and surplus states. By the end of 1963-64 season, the large zones for all practical purposes, were disintegrated. During the subsequent season, the Government decided to allow each State to constitute a separate rice zone except for the Northern rice zone.

Report of Jha Committee, 1964:

The Jha Committee was constituted to advise the Government on the determination of prices of rice and wheat for the season on all-India basis with such quality-wise and region-wise variations as might be necessary; the terms of reference which would be suitable for an agency to provide such advice on a continuous basis in respect of future seasons; and, the best manner in which the work of such an agency could be fitted in.³⁸

Among the various measures taken to bring the price of rice under statutory control, mention may be made of the formation of Food Corporation of India. The price policy be eventually integrated with an overall policy in regard to wages, incomes and savings. This is along with an agency to advise Government on a continuous basis in respect of prices of food-grains. A number of measures were adopted at State levels such as controlled prices in West Bengal, restrictions on inter-State movement, etc.

The Committee took into account the following trends in the economy:

38. Report of the Jha Committee on Foodgrains Prices, GOI, 1964, p.1

1. The demand for wheat and rice was increasing due to the growing rate of population and the rising incomes. Domestic production was not keeping pace and the capacity to import was severely limited and, therefore, shortages were likely to persist, leading to a price rise.

2. Stimulation in domestic production could come about by arresting the trend to switch over from food crops to cash crops which had been at work for long.

3. The farmer needs to be encouraged to adopt improved technology and high prices should go to farmers and not to the profits of the middlemen.

4. Such measures of control be introduced as would prevent withholding of stock in anticipation of price rise.

5. The establishment of a machinery to ensure an even flow of supplies.³⁹

The Committee felt it necessary not merely to consider what the price at different levels should be, but also how they should be made effective in operation. It therefore recommended the introduction of rationing in major cities; establishment of low price shops and FPS; acquisition of controls over adequate stocks; gradual withdrawal of restrictions on inter-State movement; regulation and licensing of wholesale trade; and strengthening of the administrative machinery of the States.

39. Ibid. p. 1-4

As regards the pricing of food-grains in FPS, the Committee observed that the prices at which the imported and locally procured foodgrains were distributed through FPS were out of tune with the then existing level of market prices.

This led to several malpractices as well as uneconomic use of foodgrains distributed through the FPS. Artificial cheapening of imported foodgrains also led to displacement of inferior foodgrains which was not desirable.

Throughout 1964, foodgrain prices continued to rise and people began to take recourse to FPS. The massive release of imported grains in the domestic market made little impression on the prices of domestic grains and they continued to rise. The reserve stocks of imported grains were exhausted. Serious thought was given to regulate the fair price distribution by issuing identity cards and fixing quotas of grains to individuals/households. During 1965, the FPS began to function in a more regulated manner. Twice during the year, the issue price of imported wheat was raised. In January 1965, statutory rationing was introduced in Calcutta city and FPS were converted into ration shops. This was followed in a number of other cities.⁴⁰

Report of the Agricultural Price Commission:

On the lines recommended by Jha Committee, the Govt. appointed the Agricultural Price Commission (APC). The Committee observed that the most important element of the strategy of food policy should be that the State acquires and

40. Ibid. p. 10-14

continuously maintains its command over reasonably large stocks so that it secures a portion of strength in foodgrains market. It was not possible to regulate the consumer prices unless the State was in a position to act as a counter-vailing force against the speculative activities of the traders.⁴¹

The APC indicated three areas where control was most essential and they are: (i) regulation of inter-State trade; (ii) procurement and distribution; and (iii) the price control. APC emphasised that all the three aspects were inter-related. It considered five alternative methods of Government procurement: Levy on miller/producer; voluntary purchase from millers and wholesalers on an agreed basis as to quantity and price; pre-emption on market sales/auctions; monopoly purchase; and competitive open market purchase.

In choosing between these methods, the basic issue was whether the element of compulsion implicit in the levy system and in purchases at legally fixed price was necessary. As long as the acute overall shortage persists, the voluntary methods may not have enabled the Government to purchase the quantities it required except at high prices. Hence, there was no escape in the immediate future from the use of levy system or compulsory purchases at fixed prices. A monopoly purchase system defeats itself, either because a large part

41. Report of the Agricultural Price Commission on Price Policy for Kharif Cereals, 1965-66, p.12

of surplus escapes the Government or because the cost of making it would be prohibitive. It was made to succeed at a low price and the exercise of coercion on peasants would seriously damage their incentive to produce more. Hence, the Committee recommended a partial levy of 15 to 25% of marketable surplus of each producer.⁴²

On the question of distribution, APC observed that a FPS system was the only system for distribution and recommended the following improvements in the system: It should be made increasingly to serve low income consumers defined in some administratively convenient way and, the local pattern of shops be adjusted from this point of view. FPS prices should normally be kept steady unless the market price was abnormally high and some upward revision was necessary to limit the off-take. More shops be located in high price pockets in the country. The supplies should be stepped up in the lean months and lowered down in the post-harvest months.⁴³

As regards the price controls, the APC observed that it was necessary to consider an alternative policy which provided the Government purchases at fixed prices and permitted private transactions at different prices which may or may not be statutorily fixed. To realise the declared objectives of public policy, such a two-price regime - one for public and the other for private sector transactions appeared to be

42. Ibid. p.25-26.

43. Ibid. p.27

a necessity. The advantage of such fixation was that the Government could thereby set some limit beyond which it would be forced to act in the interest of the consumer. The control of the market prices should be secured by other means viz. the sales at fixed prices through FPS and the release from public stocks at the wholesale level of sale if and when stocks were available for the purpose. The fixation of maximum prices must remain an adhoc emergency instrument to be used in extreme situations for short periods. And when it was used, it should be supplemented by requisitioning and resale. Without this, the mere announcement of maximum prices was futile.⁴⁴

Report of the Study Team on Fair Price Shops, 1966:

The Committee was set up to review the working of FPS in the country; the pricing of the grains sold through these shops and to examine the general impact of the sale of food-grains through them on foodgrains market.

The Team traced the history of Fair Price Shops in the country.⁴⁵ Among its important finding, reference may be made of a few. As the accent was on creating a feeling of abundance, the system was subject to least regulation and control. From 1957-63, the system functioned in an atmosphere of abundance. In August 1963, rise in prices caused anxiety. Since August 1964, price rise became very steep. The demand on FPS expanded

44. Ibid. p.28-30

45. Report of the Study Team on Fair Price Shops
(V.M. Dandekar Committee) GOI, 1966, p.1-15

rapidly and supplies from abroad proved inadequate . Fair Price Distribution was one of the several adhoc measures designed to relieve acute distress under the conditions of drought, distress, famine, floods and other natural calamities.

The Team found that FPS functioned mainly on the basis of imported supplies. When no additional supplies were available, the essence of FPS distribution was to withdraw a part of the total supplies and to distribute it at a price below the one prevailing in the residual market. This did not add to the total supplies. In this way FPS could not bring down the prices and the system made itself vulnerable to the pressures of the residual market.

The essential condition of coexistence of FPS with free market is that it is able to protect itself from the pressures of the latter. FPS, according to the Team's recommendations, must aim at maximising the quantities of grains it handles at appropriate prices rather than distributing certain quantities at a certain fixed price. If FPS is to function alongside free market, its price must be neither consumer nor producer oriented. It must be market oriented.

Whatever impact the system may hope to make on the foodgrains market will be achieved not by trying to sell its supplies at a low price but by maximising its own share in the total market and thus acquiring command over a larger share of the total distribution system.

The primary function of food imports is to augment the market supplies and to feed more while bringing down the prices.

The Committee recommended that the imports should be restricted to such quantity as are required by market. Larger amount lead to dependence. The revenues received from the sale of imported foodgrains should be used to meet the costs of distribution, improving the competitive position of public market agency and to expand its own position via operations in the purchase and sale of domestic grains. Imported grains should also be utilised for improving the Government's reserve stocks.

For FPS to survive, it must conduct essentially as a market agency and aim at acquiring a command over increasingly large share of the total market. Therefore, its operations should be placed on a long term basis. Issuing of identity cards, fixations of quantum issue, etc. should form a necessary part of the system. FPS must offer all essential consumer services like quality grading, differential pricing, packing facilities of bulk buying, prompt service and delivery and all that the retail market offers.

The Committee also drew attention to the very small and uneconomic margins given to the FPS shopkeepers which causes extremelu inferior service. FPS is incapable of fulfilling any extra market purposes. Therefore, to employ it to purposes it is incapable of fulfilling, only defeats its legitimate purpose. The Government took necessary steps as per the recommendations of the Committee.

Report of the Foodgrains Policy Committee 1966:

The Committee was set up to examine the existing zonal arrangements in regard to the movement of foodgrains and the

systems of procurement and distribution in the country; and to make recommendations for modifications, if any, in these arrangements and systems for bringing about an equitable distribution of foodgrains at reasonable prices between different regions and sections of the country.⁴⁶

The Committee reviewed the food situation from 1960 onwards and concluded that the main features of food policies then were the intensification of procurement, larger distribution and restriction on inter-state movement of foodgrains. In early sixties, controls existed but they were not sufficient in number. However, during the 1964 season and onwards more controls were implemented. Even then, there was a wide disparity between different areas so far as the prices were concerned.⁴⁷

The Committee stated that the situation could be taken care of only by prudent food management. It did not favour any decontrol as it would only accentuate the existing inflationary forces.⁴⁸ Food problem arises because the supply lags behind the demand. Supplies are met by imports on the Government account. Imports, the Committee stated, would be difficult due to difficult food situation in the world food supply. Therefore, self-reliance on food front must be achieved and imports should be used for building up buffer stocks. The distribution system should be more operated to mitigate the hardships of poorer classes. All this calls for

46. Report of the Foodgrains Policy Committee,
GOI, 1966, p.1

47. Ibid. pp.8-15

48. Ibid. Section II, para 2.6

a cautious approach.

Production of foodgrains should be intensified. Therefore, the Committee recommended the formulation of a National Food Budget (NFB) keeping in view the normal consumption pattern in different States, traditional inter-State inflow and outflows, prevailing prices of foodgrains and the prospects of foodgrains production in different States for the year to which the budget relates. All foodgrains for which there are restrictions on inter-State movement have to be prepared in the NFB. A preliminary task would be to assess the surpluses and the deficits of each State on a scientific and realistic basis as possible.⁴⁹

The Committee also recommended the setting up of a National Food Council for formulating, reviewing, revising and implementing the budget. It will be presided over by the Prime Minister and will consist of all the Chief Ministers and the Union Food Minister as well as the Union Planning Minister. It will have a standing committee which will be presided over by the Prime Minister and will consist of four Chief Ministers drawn from both the surplus and deficit States. It will exercise all the powers of NFC in taking decision regarding the formulation, review, finalisation and implementation of NFB.⁵⁰

Further, the Committee stated that a Central Food Committee be set up which will be presided over by the Union Food Secretary and composed of the Union Agriculture Secretary

49. Ibid. pp. 27-28

50- Ibid. pp. 28-29

Food Secretaries of all the States, the Chairman of the APC, the Chairman of the Food Corporation of India and six non-official members to prepare the NFB for consideration and approval of the Standing Committee of the NFC.

The Committee suggested the setting up of a Technical Cell in the Ministry of Food and Agriculture for providing adequate technical data to the Central Food Committee. The Technical Group should be provided with relevant data promptly and regularly so that it could conduct and publish the results of systematic agronomic, statistical, economic and other studies which will progressively place the NFB on a more firm and objective basis.⁵¹

The NFB should be strongly adhered to by both the surplus and deficit states.

The system of Public Distribution is primarily dependent on the imports. Therefore, steps should be taken to reduce the dependence on imports for the public distribution system. To achieve the objective of inter-seasonal stability, the government should have adequate buffer stocks. Building up of buffer stocks should be given the highest priority in the formulation of NFB. Its management, that is, storage and rotation, etc. be entrusted to the FCI.⁵²

The Committee found that a uniform system of procurement for the whole country was not possible. As an important part of the National Food Policy, each State, surplus or deficit,

51. Ibid. p. 30

52. Ibid. pp. 31-36

should introduce a minimum graded levy on the producers in respect of major foodgrains. Neither inadequacy of finance nor delay in its sanction should be allowed to come in the way of procurement operations.⁵³

In view of all the relevant factors - economic, administrative and political - the state control over the inter-state trade in foodgrains should be continued strictly for the purpose of fulfilling the objectives of NFB. The inter-state price disparities will be eliminated mainly by equitable distribution of available foodgrains in the country. The latter will be done through NFB's formulation and implementation. The FCI should be entrusted the function of carrying out all the inter-state transfers of food envisaged in the NFB. Certain organisational and other measures should be taken to equip the FCI in the discharge of its role efficiently.⁵⁴

The Government should fix the procurement prices but should not fix any maximum prices for private trade transactions. The objective of keeping producer's and the consumer's prices low can be achieved if the costs of procurement, handling and distribution by the public agency are kept as low as possible. However, the superior and better varieties of foodgrains sold through FPS should be priced adequately high. The low issue prices of imported foodgrains involving large subsidy for all consumers would not be justified for any length of time. This is especially

53. Ibid. Section IX, paras. 9.6 to 9.10

54. Ibid. Section X, para 10.10, pp. 45-48

important in case of imported wheat which is much in demand.⁵⁵

Review of the recommendations of
Foodgrains Policy Committee:

The recommendations of the Committee were considered at a Conference of Chief Ministers held in November 1966 and the principal recommendations were broadly endorsed. It was decided to draw up the National Food Budget. Procurement was to be intensified and the inter-state movement of foodgrains on private trade account be continued. It was also accepted that FCI should be made the sole agency for procurement and distribution and the subsidy given by the Central Government in the distribution of foodgrains be withdrawn gradually.

In another conference of Chief Ministers held in April 1967, the food situation was again reviewed. It considered the tentative NFB which was prepared in conformity with the Committee's recommendations. The budget was found to be having some imperfect data and therefore, it was decided to proceed on adhoc basis to meet the situation during the year. It was emphasised that data collection for NFB be made more accurate for years to come.

As regards the zonal arrangements, the bigger wheat and gram zones were split up and instead, each State/Union territory was formed into an independent zone except that Delhi was added to Haryana for gram. The States of Punjab and Haryana and Union Territories of Chandigarh and Himachal Pradesh were formed into single state zones for rice, paddy and maize.

55. Ibid. pp. 54-56

The zonal arrangement were again reviewed at the Chief Ministers Conference in September 1967. Though the long run restoration of inter-state movement of foodgrains was considered desirable yet, the consensus was in favour of continuing the zonal restrictions in 1967-68. It was done in view of the paramount importance of maximising procurement. The single state zonal arrangement continues even now.

Review of IADP:

The concept of intensifying agricultural development efforts by concentrating resources and efforts within carefully selected geographic areas, constituted a fresh, new approach to food production. The concept known as the "Package Programme" was recommended by the Ford Foundation Team in 1959. It aimed squarely at increasing food production and farm income, by making available to farmers a unified set (package) of various agricultural inputs - fertilisers, high yielding seeds, implements, etc. - and by instructing cultivators in proper use of improved agricultural methods.

IADP was originally started in seven districts in 1960-61. Concurrently, the GOI using its own resources, established eight additional IADP districts. In addition, the Government had patterned its new Intensive Agricultural Areas Programme (IAAP) after the Package Programme of IADP. The most important of the programmes under the new strategy are : the HYVP, Multiple Cropping Programme, New Concepts of Irrigation, Ayacut Development and Water Management, Integrated Development of Dry Areas.

Thus under the new strategy starting with the 1966-67 crop year, cultivators in the IADP and HYVP districts had the advantages of a substantial advances in foodgrain prices, a modest increase in the unit price for production inputs, and new technologies that had the effect of reducing unit costs of production. Through out India, rainfall and general weather conditions were considered highly favourable for the foodgrain production in 1967-68 and about normal in 1968-69.

After 1965-66, the Ford Foundation concentrated its budget and technical assistance in five districts of Ludhiana, Raipur, Sambalpur, Thanjavur and West Godavari, with the Government of India and the respective States assuming full responsibility for IADP support in other ten districts. Conceptually, the ten remaining IADP Districts, the 140 IAAP Districts, plus the HYVP superimposed on the irrigated areas in all the districts, provided a multitiered approach with different levels of intensification for diffusion of the Innovative District experiences. The essence of the Innovative Approach was to strengthen the organisation and operation of rural institutions. Herein, the programme was expected to concentrate on the development and evaluation of new ideas and institutions; solution of problems emerging from the new experience with intensive development; testing of new recommendations for the Crop Plan; and, providing the needed resources of personnel, administrative arrangements, market and processing facilities, and so forth, considered to be a part of managing the emerging technology.

Only 3 of the 15 IADP districts reported significantly higher rates of change in output and yield for food grains during the IADP years when compared with their record during the previous five years. Only 2 IADP districts reported significantly higher changes in output of food grains than did the bordering districts. Cultivators in IADP districts did somewhat better with increased use of inputs. It may be contended by some analysts of agricultural development in India that low rainfalls in many districts during 1965-66 affected results. IADP's failure to insist on the use of whole farm plans, the technical assistance for irrigation and land improvement, and research to provide new technology proved to be the major errors of strategy.

The IADP experience did demonstrate that the Indian cultivators lacked adequate yield increasing technology and satisfactory benefit-cost relationships. In most districts, cultivators were operating at or near economic equilibrium for most food grain crops. Significant responses were recorded only where added irrigation or new crop varieties shifted the crop production function upward and outward or when there were changes in benefit-cost relationships.

Experience in IADP has clearly shown that immense progress in food production is possible, and it has clearly shown that administrative incapacity is retarding progress. The IADP programme, however, has established that the Indian farmer is fairly prompt to accept innovations that are useful and within his means provided he is convinced through demonstrations and extension efforts.

Reviewing the functioning of IADP the Expert Committee concluded that an important lesson one can draw from the implementation of IADP is the inadequacy of the administrative system which has to be geared to the needs of the programme. The system, based essentially on checks and balances, evolved in a different time for a different purpose, has proved woefully inadequate for any operation, the aim of which was not to maintain the status quo but to change it. The IADP has thus been a square peg in a round hole. The main concern of the Indian administrative system has been to lay down general patterns of conformity, to which areas must adjust rather than otherwise and leave the least possible discretion to the authorities lower down in the hierarchical structure.

What is needed is a willingness to change the organisation structures, administrative systems, policies, and procedures where such changes will lead to programme accomplishment.

Agricultural Development Under Plans:

Under the broad canvass of planning, the Government of India wanted to fulfill the objective of bringing additional land under cultivation and increase the supply of agricultural inputs so as to increase the total output to reduce the pressure of population on land by shifting the surplus labour...

to industry and service sectors; and, land reforms to bring about equality and justice in rural sector.

The development of agriculture under plans can be summarised as under:

Table No. I⁵⁶

PARTICULARS	UNIT	FIVE YEAR PLANS :-			
		I	II	III	IV
Target of Production at the end of the plan period:	mil. tonnes	62.59	81.79	101.6	129.0
Actual Production at the end of the plan period:	"	66.85	82.02	72.35	110.0
Planned increase in production:	%	14.0	24.0	32.0	31.0
Actual increase in production:	%	22.0	26.0	-12.0	9.2
Total Plan Outlay	Crores (Rs.)	2400	4800	6300	15902
Outlay for agricultural development:	"	760	1060	1310	3817
Percentage to total outlay:	%	32	22	21	23

As is evident, in spite of the four Five-year Plans there has been a marked infusion of vitality into the agricultural sector. The growth rate has been far below the expectation. The agricultural policies formulated and pursued

56. Compiled from Indian Agriculture in Brief, 13th Edition, Directorate of Economics and Statistics, Ministry of Agriculture, New Delhi, 1974, p.176-187

in the context of Five-year Plans lacked in realism. The implementation of these policies lacked the necessary vigour as was in the case of land reforms and cooperative policies.

Procedures of planning for agricultural production do not generate interest and initiative among farmers. The man who has to produce has no hand in planning.

Under the impact of Five Year Plans, the Central Government has become more powerful with a vastly proliferated bureaucracy, while the States' machinery, primarily responsible for agricultural production, is gradually losing its initiative and discretion. Plans for increasing agricultural production are oriented towards getting more allocations from the Centre than towards the maximum exploitation of the potential in each State.

Another impact of Five Year Plans is the enormous increase in the number of seminars, conferences and workshops, constitution of large number of Commissions and Committees to study and review the various aspects of agricultural production. Most often the recommendations made by these forums are not acted upon with all the seriousness they deserve.

Another reason for the languishing of Indian agriculture is its being under-capitalised. The weak economic position of the farmer does not allow him to save and invest on agricultural development. Procedures of getting credit through the institutions is complicated. As high risks are involved, agriculture has not been able to attract sufficient capital investment from other sectors. The economic restraints of

traditional agriculture and absence of rewarding investment opportunities are holding them back. If profitable inputs are produced and supplied, the farmers will not lag behind as they are neither inefficient nor lacking in experience - as is evident from I.A.D.P.'s success.

Commercialising Indian agriculture is the urgent need. A long-term consistent policy should be evolved and followed on a uniform pattern in order to achieve this, all the factors inhibiting agricultural development should be removed, remunerative support prices ensured for agricultural produces, production incentives like efficient market system be offered. The lack of it leads to the failure of any policy and this is detailed in the second chapter.

CENTRE-STATE RELATIONS : A REVIEW

CHAPTER II

CENTRE-STATE RELATIONS : A REVIEW

The crisis in agriculture is multi-dimensional -- social, economic and political. It is not only in respect of an efficient distribution but also on the production side, and because the two are closely interlinked, the crisis is fast deepening.¹ The Agricultural Administration Committee in 1958 had rightly said that "the problem of increasing production in India is more an administrative problem than a technical one."² Similar conclusions were arrived at by the Central Teams on Agricultural Production 1963, which said that "unsatisfactory administrative and organisational arrangement was by far the most important single factor responsible for inadequate progress in the sphere of agricultural production."³

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1. Mehta, B.: Failure of Indian Economy (Chetna Publications, New Delhi, 1974)
 2. Report of the Agricultural Administration Committee, Deptt. of Agriculture, GOI, 1958, p.4
 3. Report of the Working Group on Inter-departmental and Institutional Coordination for Agricultural Production, GOI, Deptt. of Agriculture, 1963 (Ram Subhag Singh Committee).

In spite of the Government's attempts to increase production by way of introduction of HYV seeds, the persistence of administrative impediments as serious hurdles to the implementation of the agricultural programme cannot be denied.⁴ This factor is mainly responsible for the pursuance of the food problem in the country. Therefore, the plan for administration has to be geared up to the task of total agricultural development because even under HYVP, there existed a "considerable gap between agricultural programmes and their translation into action in the field."⁵ It is here that the Centre-State relations have to be treated as an aspect of this administrative problem.

There exist wide inter-State and inter-regional disparities. These make the role of the Centre in the processes of planning and implementation rather difficult. The sharp differences between the best and the average is more pronounced in India than even in the technically advanced countries.⁶ The dilemma is how to reconcile the demands of States based upon their own view of problems with the postulates of optimum development. Here, the administrative process of planning, policy-making and implementation

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4. Kieloch, Edward A.: "Some Administrative Shortcomings of IADP Efforts" IJPA, Vol. XIII No. 3, Jan/Sep. 1967, p.487-8.
 5. Report of APC for the 1968-69 Season, Deptt. of Agriculture, GOI, Sep. 1968, para 15.
 6. Sen, S.R.: The Strategy for Agricultural Development and other Essays on Economic and Social Planning. (Bombay, Asia, 1962), pp. 10-13

relating the Centre and the State Governments are nevertheless important. Any disruption in this gives rise to acute problems on the food front. To have the right perspective of the food problem as it exists in the country, it becomes imperative to review the Centre-State relations in regard to planning, policy making and implementation of agricultural policies. There are wide areas in which their powers and responsibilities are not equated. Therefore, it is necessary to probe into the constitutional provisions for the same.

Agriculture, in accordance with the scheme of three lists, remains with the State. The constitution, taken as a whole, does not lack in provisions offering adequate scope to the Centre to make inroads into the State field. "At no time has the Central Organisation been questioned in whatever it did - in supervision, guiding, leading or assisting the implementation of the programmes in the States."⁷

A more positive role of the State is assigned by the provisions under the "Directive Principles of State Policy." Article 48 provides for the State intervention towards the organisation of agriculture and animal husbandry on modern and scientific lines.

Part XIII of the Constitution (Articles 301-307) cover the movement of agricultural goods between the States.

7. Lok Sabha Debate, IInd Series, Vol. IV, No.12, 29th July, 1957, p. 5797, wherein the Community Development Minister Shri S.K. Dey told the Lok Sabha.

The Parliament is competent to impose restrictions on these movements in the public interest. (Article 302). Entry 52 of the Union list authorises the Centre to control certain agricultural commodities in the public interest.⁸ Under emergency, therefore, nothing can prevent the Parliament from making discriminatory laws. The Essential Supplies Act enacted in 1946 was replaced by the Essential Commodities Act 1955 after the Third Amendment Act, 1954 which replaced the original entry under the Concurrent List. It covers Central regulation of activities relating to production, prices, supply and distribution of commodities.⁹

"Price Control" authorising the fixation of maximum and minimum prices, is a new addition to the Concurrent List (item 34).¹⁰ The new additions to the Union list were the requisition and development of inter-State rivers and river valleys (item 56), and adjudication of disputes relating to these matters (Article 262).

The Constitution also conferred the most elastic sources of revenue to the Centre. In the course of planned development, these constitutional provisions provided the legal basis for a vast expansion of the Central interest and organisation including the establishment of Central Community Development, Extension and Planning Organisations, etc. The Planning

8. Hannah, H.W.: The Indian Constitution And Agriculture (ICAR, Unpublished, 1957) p.9.

9. The origin could be traced from Foodgrains Control Order 1942. The powers are considerably enhanced under DIR, Sec.3(2)(24) of Defence of India Act 1971 and clause 113 of DIR 1971 provided the the control of agriculture. Report on Centre State Relationships, A.R.C., Vol.3, p.42.

10. Basu D.D.: Commentary on the Constitution of India, Vol5 (Calcutta, Sarkar, 1963) p.506.

Commission, a statutory body with no Constitutional sanction, has now come to enjoy the position of a "Super-economic cabinet" in policy decisions as well as implementation, even though the Constitution has not taken away from the States their freedom to act in these matters.¹¹

There is undoubtedly the demarcation of powers between the Centre and the States. The exercise of powers, legislative and executive, is hedged in by numerous restrictions, so that the powers of the States are not coordinated with the Union and are not in many aspects independent.¹²

The Central and State Agricultural Departments and apex institutions have an important role to play in the formulation of agricultural and cooperative development plan. The number of planning stages and the series of consultative machineries in a federal structure in India, need at each level - village, block, district, state and centre - a free flow of knowledge, ideas and experiences from the lower to the higher stage and vice versa. Inadequate participation at the lower levels in the planning process is the basic limitation. At each of the levels, multiplicity of participating agencies with divided responsibilities, characteristic of the agricultural organisation, could be another handicap. The implementations of scientific planning may not be welcome to all the federal units, especially when these are likely to affect their own share of plan allocation.

11.Chanda, AK.: Federalism in India (London, Allen & Urwin, 1965) p.277

12.Ibid. p.117

The Planning department at the State level is not above the departmental set up and does not possess status necessary for effective coordination. The planning machinery is only of a "rudimentary" nature.¹³ This leads to a division in the responsibility for agricultural planning. The Planning Commission, at the Centre, is not suited for the task of detailed agricultural planning. Therefore, till the proposals are brought to the coordinating divisions in the Planning Commission, there is no machinery to take an integrated view of the agricultural sector as a whole. The informal contacts between the Central and State officers, the discussions in the N.D.C., etc. do provide guidelines but they are inadequate and sporadic. The financial ceilings for State plans indicated by the Planning Commission may not also be observed strictly.¹⁴ Also the Centre may not agree with the priorities in the manner viewed by the State Governments.¹⁵ There are cases when the State Governments may not agree with the assumptions underlying the projections made at the national level.

13. Paranjape, N.K.: Centre-State relations in Planning (IIPA, New Delhi, 1970), p.6

14. Adjustment Proposal - Second Five Year Plan, Bihar, Govt. of Bihar, 1957, p.1, did not provide for expenditure on Gram Panchayats in the State sector of the Plan assuming that there would be provision for it outside the Plan.

15. In Rajasthan "despite many political pronouncements and protracted discussions, Planning Commission refused to bear the cost of the Rajasthan Canal Project or treat it as lying outside the Rajasthan Third Plan" vide Iqbal Narain and P.C. Mathur: "Union-State Relations in India"; "A case study of Rajasthan" Journal of Commonwealth Political Studies, Vol.II, (1964) No.2, pp.136-7.

Indian planning has been characterised as perhaps the most centralised system of planning. Planning at State level is also highly officialised and is essentially a secretariat affair.¹⁶ Even between the Central and State levels, the consultative machinery is inhibited by a number of factors - absence of integrated set up for agricultural sector to facilitate a close and continuous interchange between them; the relatively subordinate role of the Central Agricultural Ministries; and, a weak planning machinery at the State level. Therefore, an integrated agricultural set-up both at the Centre and the States must have under it a well-equipped planning wing that should be responsible for agricultural planning and programming. This will make the task of over-all coordination easier.¹⁷ The feasibility, scheduling, mutual consistency and acceptability of policy and administrative decisions have a direct impact on the execution of programmes. "Policy is made by means of all the political processes by which the Government is carried on."¹⁸

There is a weak agricultural lobby in the country. At the State level, there is generally no Consultative Committee of the Legislatures on Agriculture. Lack of detailed, independent and critical evaluation of local agricultural problems in the local languages and the inability

16. Gadgil, D.R.: The Fourth Plan Demands New Attitudes and Methods of Work", Yojana, 26th January, 1965, pp.3-6.

17. Paranjape, H.K.: The Reorganised Planning Commission (IIPA, New Delhi), p.50.

18. Appleby, Paul H: Policy and Administration, (Alabama University Press) 1949, p.20.

to see those problems in relation to the national policies and programmes prevents the members of legislatures and public bodies from making any meaningful contribution in the policy-formulation. Even at the Central level, the deliberations of the Parliamentary Committee or the Parliament betrayed the absence of well-formulated views on key issues.¹⁹ Even the legislative committees are not oriented towards sponsoring the cause of farmers in a partisan way.²⁰

On the non-official side, farmers' associations are weak and are invariably outweighed by strong industrial syndicates. Kisan Sabhas are seldom organised around the detailed economic issues. Inability to take definite steps and firm decisions on basic issues such as prices of the agricultural products, credit facilities, consolidation of holdings, land tenure system, production and distribution of adequate quantities of supplies was the root cause of lags in the implementation of agricultural plans.²¹

Lack of definite policy at the national level has been responsible for thwarted progress of cooperative farming. There was absence of an unequivocal stand on the part of the Central Government and the State Governments regarding the use of a

19. Committee 'A' on the Second Five-year Plan (Plan outlay & Allocation), Synopsis of the proceedings (18-20 May, 1956) Lok Sabha Secretariat, 1956 show that the agricultural problems did not figure prominently in the deliberations.

20. Ibid.

21. Ensminger, Douglas: "The IADP in India's Agricultural Development": Journal of National Academy of Administration, Vol.VII (1962), p.29.

cooperative agency for routing all supplies. A firm and timely decision at the national level on such issues is in itself a check upon the inertia and reticence on the part of the state governments that prevent radical steps in the execution of such decisions.

Even under I.A.D.P., it was observed that "the directives coming from the top level tend to be degerated into a few simple slogans unrelated to the complexities of the local situation and inhibit a careful analysis of local problems and formulation of effective programmes tailored to local needs."²²

The basic limitation upon the process of policy-formulation is a gap in free flow of the basic data from the local level to the State and National authority. Even in the implementation of agricultural development plans of the States, the Central assistance is assuming an important role. A very large share of the Central aid flows to the agricultural sector. Central aid is linked with the plan performance of the States; it worked as a pivot round which the production programmes like IADP are built. The argument in favour of tied grants arose from the apprehension that the States, left to themselves, might not observe the national priorities because "there could be differences as to the national as distinct from the states or regional point of view".²³

22. Modernising Indian Agriculture, Report on the IADP (1960-68), Deptt. of Agriculture, GOI, 1969, p. XI, para 2.72.

23. Kamat, G.R., Third Finance Commission, Minute of Dissent, para 18.

This deprived the States of "necessary flexibility and room for adjustment". The need for some Central control was not rejected even by those who favoured full latitude to the States.²⁴

The Central aid and assistance to the State Sector, Centrally sponsored schemes and the institutional sources continues to be the key factor underlying the entire spectrum of Centre-State relations in agricultural development. The Centre remains all powerful and is in a position to restrict the options of the States through these channels of aid.

The arguments in favour of stricter Central sanctions as a means to protect the national priorities and those for greater latitude to the States to facilitate a more rational choice between alternatives are expressed through mutual accusations in opposite terms, i.e., the failures are due to "too many restrictions" or "too much freedom."

The centralisation of planning, decision making process and the manner of operation of the Central assistance also influence the implementation of the Plan. While the States might have the dominant share in the manner of execution of programmes at the level of community, the Centre has an equally important role in providing leadership, decision making, programme planning, management of selected programmes, calling for direct central participation, and an overall supervision over the progress of the plan. As a result, there still

24. The Third Finance Commission, paras 66 and 72.

exist gaps in current policies, for example some States paid bonus over and above the procurement prices which contributed to the inter-State price disparities. States were still reluctant to allow the Food Corporation of India full operational freedom regarding procurement. An element of compulsion being unavoidable in procurement, purchases through the agency of the State Governments could not be completely dispensed with. Nevertheless, the FCI has acquired a dominant position in procurement operations and distribution and in the creation of ancillary facilities like storage. To some extent these initial successes in themselves remove the apathy of the States towards purchase operations through a Central procurement agency.²⁵

The implementation of a national agricultural price policy is hindered by a number of factors on which no control has been exercised at the Central level. For one thing, the Support Prices announced by the Centre on the basis of the recommendation of the A.P.C. do not provide any check upon the procurement prices paid by the farmers. Announcement of statutory prices without adequate measures to enforce them would only formalise the existence of a wide black market.²⁶

Both at the Central and the State level, implementation of agricultural programmes has suffered from common administrative hurdles - procedural bottlenecks, shortage of trained

25. Total procurement of foodgrains amounted to 62 lakhs tonnes during 1969. The internal purchase by FCI of the 1968-69 crop was 47 lakh tonnes. Vide Annual Report 1969-70, Deptt. of Food, 1970, paras 4.1 and 14.1.

26. Report of the APC for 1965-66 season, Deptt. of Agriculture, GOI, 1965, Section IV, para. II.

personnel of the type required, kind and number, lack of delegation of powers and organisational weaknesses. The legislation by the States and their enforcement suffers from a complexity of legislations and rules, legal loopholes, inter-state variations regarding ceilings on holdings including the class of land and unit of ceiling, lack of proper records and the "pro-landlord bias" of the implementation agencies.²⁷ The multiplicity of agencies is a common hurdle at the Central and the State levels. Growth of these agencies and the channels of communication took place without any total scheme and without full awareness on the part of an individual unit about the parallel developments and its consequences. The operational bottlebecks remain unspotted and are aggravated due to the failure to spell out the task of implementation clearly. Despite the existence of Community Development Projects and other such coordinating agencies, coordination continues to be the acutest problem because they are usually treated as an addition to the existing departments instead of a unifying link. The present administrative system based upon the theory of checks and balances and bound by "the general pattern of conformity"²⁸ and the existing concentration of powers and the manner of their exercise are positive impediments to effective implementation of the agricultural plan.

27. "Report of the Committee on the Panel of Land Reforms, Planning Commission, 1959": Report of the Committee I, Part I, page 11 & 36, Part II, pages 49 & 65.

28. Second Assessment and Evaluation Report on IADP, para 24 & 57.

A close look at the pattern and processes of development during the last decades would reveal that State programmes and policies, whatsoever by their weaknesses, have to follow the lines laid down by the Centre in so far as the basic approaches are concerned. The shortcomings of C.D.P., I.A.D.P., etc. could have been avoided through more forthright and effective expression of the local problems.

Most of the problems of the Centre-State relations are really due to the failure to distinguish between the areas of national authority and local action. The continuing food scarcity along with the foreign exchange stringency make it essential that the priorities fixed at the national level are strictly adhered to. The allocation of available investment resources in accordance with the production potentialities is bound to arouse resistance from those States and regions which will be left with less per capita investment resources, unless their sacrifices are equated, through definite assurances about their share in surpluses. Therefore, the "discipline of the National Food Budget" by which the surplus states are to accept the principle of national sharing and the deficit states are to relate "their demand to the overall national availability"²⁹, and the discipline of a national agricultural development budget are inseparable from each other.

29. Report of the APC, 1965-66 Season, paras 2.10 and 2.11

However, Politics emerges as the key variable in the scheme of Centre-State relations. The political variable largely expresses itself through party ideologies and political elite-mass interaction which manifests itself in efforts of the leadership to build and placate the support structure on the one hand, and in the attempt of the people to pressurise the ruling elite to promote their interests on the other. The pressure politics thus generated, gives a serious jolt to the envisaged equilibrium between technology, administration and politics both horizontally and vertically. This can be illustrated with reference to the food administration in India.

There was a one party dominance between 1947-67. In spite of this, food policy was exposed to intra-party ideological differences through different food ministers, e.g., K.M.Munshi (1950-52) prepared a laissez faire plan of food decontrol because he was obsessed by the formidable administrative difficulties of controls. The Bhuvaneshwar Resolution of 1964 on 'Democracy and Socialism' had its implications for food policy also. The resolution stated:

"It was the highest importance that the provision of the basic needs of every individual is ensured and a national minimum comprising the essential requirements in respect of food, clothing... (etc.) is established as speedily as possible."³⁰

Consequently, C.Subramaniam, the then Food Minister, placed great reliance on State Trading in foodgrains as an

30. Indian National Congress, 68th Session, Jan. 9-10, 1964
Resolution on Democracy and Socialism (Mimeo.), p.6.

important level of the new policy. He discarded too much dependence on imports. His policy aimed at an intensive procurement drive as a means of adding to the Union Government's food stocks. The rationale given by Rao Birendra Singh, the then Haryana Chief Minister, is worth recalling. Convening a Conference of the non-Congress Chief Ministers to discuss the country's food situation after the 1967 general elections, he opined that the non-Congress Governments were not expected to fall in line with the policies of the Union Government if it asked them to implement the policies of the Congress Party.³¹ The Chief Minister of Orissa, however, thought that there were many matters of common concern, irrespective of party affiliations and the food policy was one of them.³²

The political elite-mass inter-action has had still more serious repercussions on food administration. The State Governments, with a view to placating the masses at their own level would mount up pressure on the Central Government, for example, Kerala, a food deficit state but a big foreign exchange earner of the country on account of its cash crops³³ threatened to use it to buy food grains, or transfer large chunks of land, currently under cash crops, to food crops if the Centre did not manage to get it an adequate supply of rice.

31. "New Context of Centre-State Relations", Thought (Weekly), New Delhi, April 8, 1967.

32. Ibid.

33. For details: "Food and National Unity", Weekend Review (Weekly), New Delhi, April 8, 1967.

Similarly, Kapildeo Singh, the then Food Minister of Bihar threatened to stop supplies of iron-ore, coal, mica and other minerals if the food needs of his State were not met by the Centre or if surplus food States prevented his Government from buying foodgrains from them at the market price. Annadurai, the then Tamil Nadu Chief Minister announced at the May Day Rally in Coimbatore, his Government's cheap rice scheme expecting a Central subsidy, in spite of the then Finance Minister, Morarji Desai's repeatedly telling him that subsidy was not possible.³⁴ As a result, the Centre had invariably fallen a prey to the politics of pressure and thus sacrificed the economics of food policy on the altar of political expediency.³⁵ For example, the Centre ignored the two important recommendations of the APC relating to lowering of the procurement prices and the imposition of a compulsory levy on all producers above a fixed limit of land holdings. In this regard, the Central Government left it to the States to decide and act in the matter. In spite of the APC's warning that higher procurement prices would add to inflationary trends in the economy, the Union Government fixed higher procurement prices which were raised from Rs. 65.95 in 1967-68 and Rs. 76-81 in 1968.³⁶

As one analyses, the Centre's attitude towards the recommendations of the expert body, three factors appear to

34. For details: "Centre-State Friction", Link (Weekly), New Delhi, May 14, 1967 and "Incompliant" (Editorial), The Economic Times, Bombay, June 10, 1967.

35. The Statesman, May 28, 1967.

36. India 1969, New Delhi, GOI, Table 119.

inhibit the proper handling of food administration: Constitutionally, the Centre does not have any power to force a solution on the States;³⁷ Administratively, the Centre has to depend upon the States for the implementation of the policy and the latter, more often than not, have tended to defy the former in this respect; and Politically, the Congress Party has not considered it at all expedient to take a strong stand against producers and traders.

In the post 1967 period, the food policy has become the product of intra-party squabbles and inter-party pressures. As a result, the precise reason for taking up of a particular decision is not known and the outcome of it is a policy which is internally inconsistent and technically unsound. In Uttar Pradesh, for example, only 8% of farmers were affected by the direct grain procurement operations there. The Central executive of Jana Sangh, the dominant partner in the then ruling SVD coalition, passed a resolution opposing grain procurement. Similarly, Kamapati Tripathi, the UPCC President, after his elections opposed the procurement scheme, though his own party was committed to it. The political pressures resulted in whittling down the procurement target from 5 lakh tonnes to a little over 3 lakh tonnes.³⁸

In Kerala again, while the Chief Minister Namboodiripad was against food imports, the Food Minister, Mrs. Gouri Thomas.

37. "POLLUX", The Times of India, Oct 1, 1967.

38. The Statesman, New Delhi, May 25, 1967

spared no pains to attack the Union Government for its failure to enter into barter with Japan and America.³⁹

The aforesaid tendency has tended to persist. For example, when the Chief Ministers met in 1970 to consider the Agriculture Price Commission's Report on Kharif food grains and the measures to be adopted for the speedy implementation of land reforms, they strongly opposed the Prime Minister's proposal for lowering the ceilings on land with the obvious intention of placating their support structure. The issue was shelved and referred to the newly constituted Central Committee on Land Reforms headed by the then Food Minister Fakhruddin Ali Ahmed.⁴⁰

To conclude, tied to the demands of a socially fragmented and economically handicapped society on the one hand, and tagged to the pressures of political expediency, on the other, the balance naturally tends to be uneven and unstable. It is essential to maintain the equilibrium because it is the pre-condition of balance of administrative authority in a dual polity.

39. Ibid.

40. For details: see Editorial, The Economic Times, September, 29 1970.

FOOD PROCUREMENT POLICY OF THE GOVERNMENT

CHAPTER III**FOOD PROCUREMENT POLICY OF THE GOVERNMENT****Introduction:**

The food problem in India has been of increasing demands and low supplies. On the demand side, the rate of growth of population has to be checked. All measures adopted in the direction have not fetched the desired results. On the supply side, till 1964-65 the foodgrains production has not shown any remarkable increase. However, with the introduction of HYV in 1966-67, the foodgrains production especially wheat, has shown substantial increase year after year. It touched the peak in 1971-72 when it was an all time high of 108.4 million tonnes. Still, the gap between the demand and supply could not be bridged. The production could not be increased any longer because of bad monsoons. Indian agriculture is mainly dependent upon the behaviour of monsoons since a very small percentage of area under cultivation is irrigated. This was coupled with the droughts in various pockets of the country.

The Government of India's decision not to import foodgrains at concessional rates alongwith its inability to import at the commercial rates because of high rates of foreign exchange, further aggravated the food situation. The export of foodgrains to meet the Bangladesh food crisis lead to the deterioration of food stocks with the Government.

The above factors got reflected in low market arrivals, and consequently in low rates of procurement. Supply being short of demand lead to a rise in the prices of foodgrains. To bring the situation under control, the Government of India decided to take over the wholesale trade in wheat from April 1973. Among its objectives, mention may be made of the following :

- To eliminate speculation and fluctuation in the prices;
- to ensure foodgrains availability at reasonable prices to the consumers;
- to ensure farmers remunerative price to encourage production; and,
- to reduce the cost of distribution through elimination of intermediaries.

Main Features of 1973 Policy:

The Government took over the wholesale trade in wheat from the traders and made official and semi-official agencies the sole agents for purchase. Wheat was procured at officially announced procurement prices as recommended by the Agricultural Price Commission. During the procurement season, when the prices of other commodities increased, the farmers viewed the official price as low and were, therefore reluctant to sell wheat at that price. A system of incentives was introduced in the later part of June, 1973.¹

1. Gupta, A.P.: Marketing of Agricultural Produce in India, (Vora & Co., Bombay, 1975) pp. 240-1.

Accordingly, a graded payment ranging from Rs 4/- to Rs 10/- per quintal was paid in the following way:

1. For the quantity procured upto 25% of the target fixed for the State and made over to the Central Pool - no bonus.
2. For the quantity procured beyond 25% and upto 50% of the target and made over to the Central Pool - Rs 4/- per quintal.
3. For the quantity procured beyond 50% but upto 75% of the target and made over to the Central Pool - Rs 5/- per quintal.
4. For the quantity procured above 75% but below 100% of the target and made over to the Central Pool - Rs 7/- per quintal.
5. For the quantity procured over and above the target fixed for the State and made over to the Central Pool - Rs 10/- per quintal.

The bonus so earned should be utilised for increasing agricultural production by subsidising the price of agricultural inputs like fertilisers, etc. so that the benefit would reach those farmers who will help in the procurement. However, the success was not remarkable because:

1. the incentives were too meagre to induce the farmer to dehoard his produce;
2. the States were not able to work out total incentives to be given as they did not know the amount they were to

get from the Centre; hence they were not able to work out the additional incentive to be given to the farmers; and,

3. the States failed to evolve a proper system of giving incentives to those farmers who offered their produce.

Each state was constituted into a single zone which caused great disparities in open market prices from state to state. It was left to each state Government to decide whether it was necessary to impose inter-district movement of foodgrains or not. The state Governments were asked to impose a graded levy on the producers but, by and large, this policy directive was ignored.

There was a public distribution system for the vulnerable section of the population but no precise definition was given of those to be included in the vulnerable section.

Failure of the Policy:

Among main reasons for the crisis, an important factor was that Punjab and Haryana - the two major surplus granaries, were hit by drought, the scarcity and high cost of fertilisers, and power shortage. Therefore, they had less to contribute to the Central Pool. More food was also required for Gujrat & Rajasthan which faced their worst droughts and Assam, Bihar, Madhya Pradesh, West Bengal and Orissa which were threatened with scarcity. This accentuated the worsening state of foodgrains availability.²

2. G.S. Minhas: Food Procurement: why Government failed in its task? Economic Times, 27th April, 1974.

Incompetence of the Governmental Machinery:

The critics consider the incompetence of Government machinery to undertake procurement operations coupled with the low remunerative prices given to the farmers which lead to the failure of the scheme.³ This resulted due to the Government's decision to take over without assessing the ability of the machinery to do so. This point has also been elucidated by NCA wherein they observed that the present administrative machinery is not adequate to procure and handle quantities of such magnitude. The takeover of wholesale trade should be considered only when administrative machinery is capable of procuring and handling the large quantities involved.⁴

The competence of Government machinery is a debatable point especially in the light of its performance:⁵

1970-71	...	3.2 million tonnes
1971-72	...	5.1 " "
1972-73	...	5.0 " "
1973-74	...	4.5 " "
1974-75	...	1.9 " "

The main hurdle faced by the official machinery was the absence of as close a contact with the farmers as artias and traders had, who helped the farmer in meeting the cash requirements for the whole season, and by doing so, they

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3. K. Nayar: Failure in Food Policy, Statesman, 2nd October, 1974.
 4. National Commission on Agriculture; Interim Report on Agricultural Price Policy, New Delhi, February 1975, pp 57-58.
 5. Report of Department of Food, 1974.

get the whole produce of the farmer. Had the Government been able to build up sufficient institutions to meet the credit requirements of the farmer without much delay - probably the traders would not have been able to take away the produce of the farmer by tempting the latter.

Besides, the cultivator was not paid in cash at the procurement centres but by order or cross cheque depending upon the amount of payment. Therefore, the farmer had difficulties in receiving payments from banks on account of being illiterate; non-availability of banking facilities everywhere; and, not being acquainted with the banking procedures. These difficulties also impeded the procurement operations of various agencies.

Curtailment of Imports and Repercussions:

The Government was living up to the policy for foregoing imports without building up sufficient infrastructure of production though the warnings of drought were early enough. Availability of foodgrains in the international market had become extremely difficult as a result of massive Russian purchase from U.S., through private trade due to which the prices had sky-rocketed and India had too little to buy at commercial rates because of the shortage of foreign exchange.⁶

Since 1946, market deficits called for lesser or larger imports every year. The only exception was a nominal

6. Peter, A: Food: Utter mis-management, Economic Times, 16th October, 1974.

market surplus of 0.56 million tonnes (added to reserves) in 1971 when the foodgrains production was an all time high of 108.4 million tonnes. This peak was achieved because of the outcome of favourable weather conditions rather than of planned achievement.

The nominal net exports of 4,88,000 tonnes in 1972 do not represent market surplus because they arose from circumstances of emergency relief shipments to Bangladesh of 9,09,000 tonnes from official stocks. When adjustment for this extra-ordinary transaction was made one finds that in 1972, too, we had to rely on imports to cover market deficits.⁷

Despite the continued dependence on imports, the Government stopped aid under PL 480 and all other concessional imports of foodgrains in January, 1972 which were being received from Argentina, Australia, Canada, Germany, and U.K. under (F.A.C.) Food Aid Convention of the (I.G.A.) International Grains Agreement. Still, in 1972 the Government imported (2,43,000 tonnes) originating out of purchases already made under commitments made five years back.⁸

Four developments encouraged the decisions of the Government to put a stop on imports :

7. Bulletin of Food Statistics: 1973 : Table 11-A, Column 33, p. 172.

8. Administration Report, 1971-72, Department of Food, p. 20.2

1. In 1967, when the crash programme for self-sufficiency was formulated which resulted in a succession of good harvests because of favourable weather conditions and HYV seeds resulting in an increase of food output from as low as 72.3 million tonnes in 1965-66 to a peak of 108.4 million tonnes in 1970-71, the Government thought that the deficits would be covered up;
2. expansion of domestic production along with high level of imports easily lead to additions in the official stocks;
3. break through in wheat production because of technological improvement;
4. domestic procurement in 1971 (8.86 million tonnes) was more than public distribution system (7.83 million tonnes) and the excess was added to the reserve stock. Reasons for rise in food output between 1967 to 1972 were the favourable weather conditions, better inputs, satisfactory reserve position along with an intensive procurement drive.⁹

Resentment of Takeover Policy:

The idea of grain trade takeover was resented at the Chief Ministers Conference held the same year 1973. The Agricultural Price Commission of the Government also considered it impracticable under existing conditions, because, for its successful implementations, large buffer stocks were required and they could not be built up. In spite of this, the Government launched the scheme without making even the minimum preparations required for its success. Therefore, it turned out to be ineffective because the procurement was lower even when private trade was allowed.

Failure to Meet the Demands:

The commitments under the public distribution system increased, with the increase in demand from the States at

9. Shenoy, B.R.: PL 480 and India's Food Problem: East-West Press Pvt. Ltd., New Delhi, pp.256-7, paras 9.4 to 9.8

17.2 million tonnes of which only 9.4 million tonnes was supplied, that is, only 54.6 % of demand was met. This resulted in the negligible food reserves left in the Central pool. Curtailment of food allocations in the deficit States worsened the situation and resulted in riots in Gujrat and elsewhere leading to a rise in the price. The situation tended to become explosive and the retail distribution system was almost on the verge of breaking down when the Government again changed its decision.¹⁰

Because of the unpredictable nature of food situation, the successive foodgrain Committees and the Planning Commission recommended the introduction of compulsory procurement and distribution among weaker sections to ensure minimum availability of foodgrains at controlled prices. The Central Government had played these recommendations on a low key. As food situation deteriorated, the Government talked of giving up the soft policy in the matter of procurement. Since, the Government's putting forth the accommodating distinction marketable and marketed surplus, trade has pushed its advantage to compel the Government to scrap procurement and completely rely on wholesale trade.

Political Variable as Constraint:

The main hurdle in the way of building up of a powerful distribution system is the support structure of the

10. Garg, K.C.: A Levy on Producers vital : Wheat Procurement, Economic Times, 7th May, 1974

ruling party itself.¹¹ It was, therefore, impossible to induce the farmer to part with their marketable surplus at reasonable price so long as the party's main support was institutionalised between the Governmental policies and the interests of the support structure and these were exploited by the opposition. At and below the States level, the party was dominated by large and medium farmers and traders. The 1973 food distribution policy was accepted without giving much thought to its impact on and response from local power structure. This was done because the support for the Congress Party among significant urban sections had nearly collapsed and the party's heavy dependence on big business houses for funds had created a credibility gap which it tried to fill up by radical slogans.

The complete reversal of the policy a year later could be largely attributed to a shift of party's balance of power to the rural areas whereas the 'national' policies were still largely determined by urban political elite.

REVIEW OF 1973 POLICY:

Among the important lessons, mention may be made of a few. The alliance between the farmers and the traders should be broken. The procurement machinery needs to be overhauled. Population to be covered under public distribution system needs to be strictly defined and separated from the rest. Price factor plays a vital role in determining the success

11. Sethi, J.D.: New Foodgrains Policy, Economic Times, 3rd May, 1974.

or the failure of the procurement policy. The Agricultural Economics Research Centre Delhi in August 1973 conducted a quick survey in Karnal and Meerut to find out the reasons behind the failure of takeover. The analysis revealed that other things being equal, the farmer's behaviour in retaining the marketable surplus for future sale is conditioned by price. The lower the procurement price, the higher the tendency to hoard and vice-versa. In other words, the marketed surplus has a direct relationship with price. The success of food policy depends upon its flexibility and responsiveness. Therefore, purchase price should be based on continuous calculations of input-cost plus marginal profit.¹²

While calculating the total costs the method given may not prove to be very helpful. Therefore, a better course alongside would be to calculate cost per quintal. It would help us to ascertain the actual costs. Otherwise, the yields would remain what they are and the farmer, without the use of inputs, would go on showing increasing costs. If increasing costs are followed by increasing returns - only then the prices should go up.

In view of the uncomfortable foreign exchange position and the prevailing high international prices, it is not possible to import large quantities of foodgrains as an alternative to domestic procurement. The increasing demand

12. Minhas, G.S.: "Food Procurement : Why Government failed in its task?" Economic Times, 29th April, 1974.

for foodgrains from Russia and China and an expected shortfall in the world food production also resulted in the rise of the international prices. This, along with the declining purchasing power of money was bound to upset all the calculations in the Fifth Plan based on 1973-74 prices. Therefore, to build up sufficient buffer stocks, the only alternative left to the Government was to offer remunerative and flexible prices for the purchase of foodgrains.

An important factor here is that the Government's attempts are towards an equitable distribution of foodgrains at reasonable prices to vulnerable sections of population. It has already increased its procurement price from Rs. 76/- in 1969-70 to Rs. 105/- in 1974-75 marketing season per quintal. If the Government further increases its price - what is the assurance that it will be able to procure a higher percentage of production? Secondly, by increasing the procurement price, the total costs will be more thereby defeating the very purpose of public distribution system. The question of using higher agricultural prices for increasing agricultural production was dismissed as unimportant by British Administrators also. "The real question in India was not whether the black market prices were higher, but whether higher procurement prices would cause more grain to be grown in the country, and there is no reason to believe that this would have happened."¹³

13. Knight, Henry: Food Administration in India, Stanford, California University Press, 1954, p. 216

However, more important is the State Governments' willingness to implement the policy rigorously and only then, better results can be expected.

The following table clearly shows the lagging of procurement in relation to the public distribution system:¹⁴

(In million tonnes)

Year	Production	Procurement	Total Imports	Imports of wheat	Distribution
1970-71	108.4	-	-	-	7.8
1971-72	105.2	8.4	4.45	3.14	10.5
1972-73	97.0	7.6	36.14	24.14	11.4
1973-74	103.6	6.3	48.74	42.03	10.6

Besides procurement, the Government of U.S.S.R. also offered, as a gesture of goodwill, a wheat loan of 2 million tonnes, to help the country in meeting the difficult food situation. Bulk of imports (3.38 million tonnes) was commercial and was paid in free foreign exchange. This led to a fall in foreign exchange reserves.¹⁵

A quantity of 4.9 million tonnes of foodgrains was also imported during 1974 to supplement the domestic supplies. Besides, steps were taken to check speculation, hoarding and smuggling of foodgrains. A number of measures were also taken by the Central Government for checking expansion in money supply, regulation of credit and eradication of the evil of black money.

14. Reports of Ministry of Agriculture, Deptt. of Food, Years: 1973-74 and 1974-75 : p.19, Table 8.
 15. Ibid. Year 1973-74, p.14, Table 8.

Equitable distribution of available foodgrains at reasonable prices through public distribution system is possible only if a continuous supply of foodgrains is maintained. This calls for aggressive internal procurement of foodgrains. The procurement of foodgrains internally has to be increased in view of increased consumption levels. There exist doubts about the availability of requisite quantities of imported foodgrains.

The Government had promulgated various Statutory Orders under the Essential Commodities Act, 1955, for the successful implementation of the takeover scheme. Steps were taken effectively to implement anti-hoarding operations. Widespread campaigns were undertaken to educate the masses about the objectives and merits of the scheme. To maximise procurement, State-wise operational targets were fixed by FCI in consultation with the State Governments. Guest Control Orders were made rigid.¹⁶

Anti-hoarding measures were provoked by the failure of weak procurement drive. It was considered a major cause of food scarcities and high food prices. It had the sympathy of most political parties.¹⁷ It was considered that dehoarding can correct the price rise because hoarding was thought to create artificial scarcities through reduced market supplies and hence was deemed to be instrumental in driving up the prices. This argument is untenable for three reasons:

16. Report 1973-74 : Deptt. of Food : para 16.2, page 19.

17. Times of India, June 6, 1974, page 1-5.

1. Hoarding does not manifest itself spontaneously.
It can arise only as a consequence of price rise.
2. Action against hoarders will only redistribute the hoarded stock. The Government operations to dehoard have failed to yield substantial results since they could not detect where exactly the stocks were hoarded.
3. Hoarding can not be tackled independently of price rise since the hoarders keep on expecting a rise in the price with a view to earn higher profits.

In keeping with the belief that the price problem can be corrected by dehoarding, the Government of Uttar Pradesh started on June 2, 1974, in Bulandshihar District - "the granary of the State", its "Operation de-hoarding" against wheat farmers and smugglers. It was not a haphazard undertaking.¹⁸ As a first step, surplus districts were completely sealed off and police officers and magistrates were posted for round-the-clock supervision of the check posts in the border areas near Delhi.¹⁹

To prevent smuggling, the transport of grain by truck was banned.²⁰ The number of raids in 39 districts of Uttar Pradesh was reported to have totalled 6,224.²¹ Operation dehoarding has been hailed a success because in Bulandshihar

18. Times of India, New Delhi, June 3, 1974, page 1.

19. Times of India, New Delhi, June 4, 1974, page 1.

20. Economic Times, June 9, 1974, page 1.

21. Times of India, New Delhi, June 13, 1974, page 5.

wheat quoted at Rs 148 per quintal²² on May 31, 1974, was available at Rs 125; in Hapur the golden grain crashed to Rs 140 from Rs 175.²³ The U.P. Government's drive against hoarders is reported to have had the full approval and support of the Centre.²⁴

Operation dehoarding has not been a success in respect of procurement. As on 15th June, 1974, the total procurement of wheat in U.P. amounted 1.25 lakh tonnes or a mere 16.87 of the target.²⁵ The All-India total procurement of wheat was around a million tonnes on 8th June, 1974; the corresponding figure last year about this time being 3 million tonnes.²⁶

Failure of Policy, 1973:

In spite of all the efforts made by the Government for the successful implementation of the scheme, the internal supplies accounted for less than the total supplies and the balance was met by imports. The main reasons responsible for lower procurement of wheat during 1973-74 marketing season were :

22. Times of India, New Delhi, June 4, 1974, page 1.

23. Times of India, New Delhi, June 4, 1974, pages 1 and 5.

24. Times of India, New Delhi, June 5, 1974, page 1.

25. 7.44 million tonnes.

26. Economic Times, New Delhi, June 9, 1974, page 1.

1. "The targets of procurement were fixed on the basis of anticipation of a good harvest. But adverse weather conditions, particularly the early and excessive hot winds, shrivelled the grain and resulted in a fall in production which instead of showing a rise, actually turned out to be 1.5 million tonnes lower than the previous year's production of 26.4 million tonnes.
2. There was some withholding of wheat by the farmers, as they felt that the procurement price was low as compared to the prevailing prices of other foodgrains; they were also able to meet their financial requirements by the disposal of other rabi grains, such as, gram, barley, etc., which were fetching relatively higher prices.
3. There was an acute shortage of different consumer goods which gave rise to a general psychology of shortage among the masses and encouraged large scale hoarding of foodgrains not only by the producers but also by the traders and the consumers.
4. There was constant and concerted propaganda by wholesalers and other interested parties against the new policy."

"There were also some local causes which affected the procurement drives in some of the major wheat producing States, for example, widespread agitations by political parties against the takeover scheme in the States of Punjab, Haryana, and Bihar, persistent rumors in the northern states

that the Government was on the verge of revising the procurement price or giving some sort of cash incentive and lack of preparedness in some States."²⁷

Apart from the farmers' resistance, there are other factors which act as deterrents to stepping up procurement :

The maindeterrent factor to enhanced procurement is the limitations imposed by the available storing capacity. The implication of inadequate storage facilities is that more foodgrains will have to be kept in the distributive pipelines with consequent waste and deterioration.

Another constraining factor is that of finance. If the authorities have to step up procurement by almost hundred percent in order to replace imports, quite a large volume of public money will have to be put into operation. The amount in the case of partial procurement will have to be far less proportionately than in the case of monopoly procurement. Lower procurement of wheat in 1973-74 has also prevented the building up of buffer stocks and price stabilisation policies of the Government.²⁸

Revised Policy, 1974:

The Government reversed its policy because of the above reasons wherein it could not achieve its set objectives. The important features of the new policy are given below :

27. Report : 1973-74, GOI, Ministry of Agriculture, Deptt. of Food, pp 19-20, para 16.3.

28. Khusro, A.M.: 'Procurement and Distribution', Weekend Review, April 22, 1967.

The procurement price was raised to Rs 105/- in 1974-75 marketing season from Rs 76/- per Quintal in the 1973-74 season, and the issue price was fixed at Rs. 125/-. The single State zones were continued. Private wholesale traders were allowed to operate in Punjab. Punjab Civil Supplies Corporation was entrusted the responsibility of buying wheat as licensed dealers. The procurement under price support operations would be done by Food Corporation of India and State Food and Supplies Department. FCI and others will also collect levy of 50% from the traders in the States of Punjab, Haryana, Uttar Pradesh, Rajasthan and Madhya Pradesh. There was, however, no levy on the producers. The levy price of Rs 105/- payable to the dealers was inclusive of commission and market fee. Only sewing and filling charges were payable besides Rs 105/-. Traders were allowed to sell levy-free wheat within the State or outside the State after getting permit from the State authorities. However, the price limit of Rs 150/- was fixed for the sale of wheat, per quintal.²⁹

The result of the new wheat policy was that wheat disappeared from the regular market and was sold through unfair means to the consumers. There was an increase in hoarding at all levels. As a result of heavy demands, price rose to high levels between Rs 160/- and Rs 170/- per quintal.

29. Singh, A.J. and Sidhu, D.S.: "New Foodgrain Policy: Consumer and Small Farmer at a Disadvantage"; Economic Times, May 3, 1974.

Farmers were not willing to offer wheat to the Government as the private wholesalers had a tacit agreement in which both gained and no Governmental machinery could check. It helped the traders to by-pass the normal market channels. The psychology of shortage lead to a sharp rise in the prices.³⁰

Though the policy was designed to maximise marketable surplus yet the aspect of maintaining a price disparity between wheat and other competing crops has been ignored. The gap between price paid to the farmers and the one charged from the consumers is so wide that it encouraged under-hand dealings on a large scale. All this jeopardised the entire market process.

Review of the 1974 policy:

The new wheat policy of the Government has not lead to larger arrivals of stocks nor has it brought relief to the consumers in the form of reduced prices. The big farmers held back their stocks in expectations of higher profits in lean months. Some traders indulged in benami transactions to hoard wheat in villages so that this could be kept away from the vigilant eyes of the Government and disposed off at higher prices. Big farmers stopped bringing produce to the mandies as they planned to sell their produce to the middlemen who sometimes operate on behalf of the big farmers and in this

30. Garg, K.C.: "A Critical Appraisal of New Policy : Why wheat has Disappeared?" Economic Times, June 14, 1974.

way the farmers saved their transportation costs. These operations of the middlemen also helped the traders who backed out from their commitments to pay 50% levy on the plea that purchases were not being made by them but by the middlemen.

Though stringent measures were taken by the Government to curb these activities of the traders, yet the affect on the procurement and prices was negligible. The evasion of levy by the traders continued which resulted in lower procurement in the surplus States.

Though the objectives remain the same, yet the distribution system has become an open-ended liability both on the demand and the supply side. Government statistics reveal that there are about two lakh ration and fair price shops to cover 411 million people of which less than 20 million people are covered by statutory rationing. The Government's claim of meeting the requirements of public distribution in total without resorting to imports at a time when internal production and procurement is not adequate, is not an appropriate decision. There is a serious contradiction between having a dual price policy in foodgrains and proclaiming such an open-ended liability. If the gap between fair price shops and open market widens, more people will switch over to the FPS putting a greater strain on the public distribution system. Though the Government has declared that its responsibility is only towards vulnerable section, there is no way of separating them from the rest of the population.

The Fair Price Shops in most of the States had been able to meet the full demands of the card-holders. A reasonably successful policy will also appear to be a failure when the Government is long on commitments and short on supply. Thus, so long the food situation remains difficult, the foremost factor should be to procure more for distribution among the poor strata of the population. It might be possible that some imports have to be managed.

Steps Taken by the Government:

To speed up the slow pace of procurement, the Government took a number of steps to accelerate it, including the introduction of scheme for payment of bonus incentives to the States related to the achievement of the targets set for them. The public agencies considerably enlarged their operational set up to purchase almost the whole of the marketed surplus. However, not much success could be achieved. Therefore, it may not be possible to achieve early reliance on domestic production unless a rigorous system of procurement is adopted. Such a rigorous system might not be instituted if the States decide individually for themselves, in the absence of a binding and acceptable integrated scheme, system or a national plan.

The present muddle is due to the policies adopted by the Government with regard to production, price and distribution of foodgrains. High prices, profiteering, hoarding and adding to it, smuggling of foodgrains due to zonal restrictions have all played their part in making the food problem more acute and food policy ineffective.

Review of the Steps Taken:

Though the Government have enquired into the problem from time to time through various committees, the recommendations have not been effectively implemented. Expected goals have not been achieved even though the Government instituted action for internal procurement, state trading in food, creation of food zones, essential commodities Act, Fair Price Shops, statutory and informal rationing, creation of Food Corporation of India and so on. The open question is whether imports are the only solution to solve the food problem in the country?

The imports, no doubt, could relieve the distress as a short term measure but certainly it can not be looked at as a long term solution to the food problem. Increased production and procurement seem to be the only way out of the present difficulties. But for the present, the essence of the food policy lies in the proper distribution of the available food-grains both from procurement and imports. Neither the system of procurement through monopoly purchases nor through the traders has succeeded. Nationalisation of the wholesale trade, brings the farmers into direct contact with the Government. It has the advantage of eliminating middlemen. It ensures better price to the farmers and a reasonable price to the consumers. Through this process, a greater measure of stability in prices could be achieved. However, the takeover of wholesale trade implies that there will not be any open market. By definition this implies procurement of the entire marketable surplus as distinct from marketed surplus, by Government agencies.

Conclusion:

The nationalisation of wheat as adopted in 1973-74 Rabi Marketing season, did not cover retail trade, which continued to be in private hands, and there was no effective way of preventing hoarding by the retailers. There were other weaknesses also. The producers were permitted to sell directly to the consumers in small lots. Further, the takeover was confined to wheat, leaving out other cereals. On the other hand, the extension of wholesale trade takeover to all the cereals would have carried with it the responsibility of the Government for feeding the entire population. Difficulties are being experienced even with the present system of rationing with regard to the poor quality of grains distributed and existence of ghost ration cards. Moreover, a crucial problem encountered in this system is that whatever price the Government pays for its monopoly purchases, the farmers will inevitably feel that injustice is being done to them and will seriously try to dodge procurement. When Government becomes the sole buyer, farmers tend to regard any administered price as low, since they have nothing to compare it with. Hence by definition, there is no other outlet for sales at higher than the procurement prices. Therefore, the Government as a monopoly purchaser, will have to put the prices higher. This will defeat the very purpose of procurement for the public distribution system unless the Government is prepared to bear large subsidies to bring down the prices at which foodgrains will be issued to the public. Thus, although the objectives of the nationalisation

of the wholesale trade are unexceptionable, we do not consider that this is practicable in the present situation, keeping in view the administrative and other difficulties.

The experience in the 1974-75 rabi marketing season, with regard to the reliance placed on the traders for the delivery of grain to the Government for public distribution, indicates that the system of levy on traders cannot also be relied upon as a major instrument for the procurement of cereals. In that season, the Government modified its procurement policy, raised the procurement price and, at the same time, imposed a levy of 50 per cent on mandi purchases by the wholesale traders. It is known that the traders, in order to avoid the levy effected deals outside the mandis (regulated markets). There were no means by which the farmers could be compelled to bring the produce to the market and the levy could be collected from the traders.³¹

A realistic and bold agricultural policy supported by a production oriented administrative machinery with a unified single line of command, charged with authority and responsibility has to be rigorously pursued, irrespective of bumper crops or crop failures. The Government has to follow a uniform policy continuously and consistently for production, procurement, imports and distribution of foodgrains rather than resort to management by crisis in this vital commodity of foodgrains.

³¹ National Commission on Agriculture : Interim Report on Agricultural Price Policy: February, 1975.

FOODGRAINS DISTRIBUTION POLICY OF THE GOVERNMENT

CHAPTER IVFOODGRAINS DISTRIBUTION POLICY OF THE GOVERNMENTIntroduction:

"The study of agricultural marketing comprises all of the operations and agencies conducting them, involved in the movement of farm produced foods and raw materials, and their derivatives such as textiles, from the farms to the final consumers and the effects of such operations on farms, middlemen and consumers."¹

The marketing of agricultural produce is more complex than that of industrial products because it is very difficult to forecast the volume and the quantity of output, which considerably depends upon weather, diseases, pests, etc. over which man has no control. The agricultural commodities are bulky in relation to their value. Their transportation and storage are both difficult and costly. Therefore, middlemen assume a place of particular importance in agricultural marketing. The seasonal character of agriculture is another problem in itself. The production can not adjust itself quickly to the demand. Hence, marketing agencies have to play a major role in adjusting regular demand with seasonal supplies.

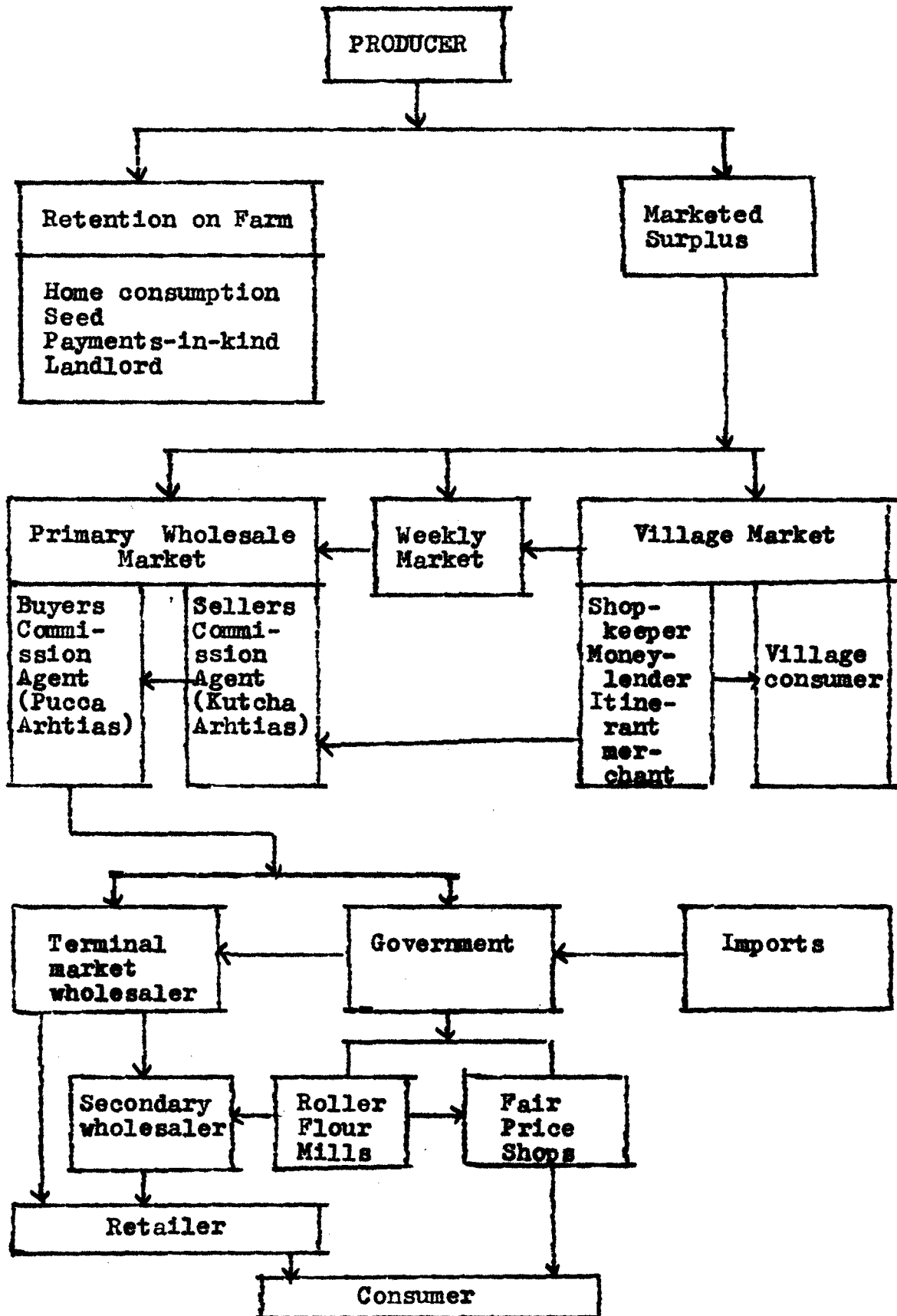
1. Jain, S.C.: "Principles & Practice of Agricultural Marketing and Prices" Vora & Co., Bombay, 1971.p.3

With the commercialisation and specialisation of agricultural production as also the increasing concentration of population in urban industrial centres, marketing of farm produce has become complicated and has become a necessary adjunct of our rural economy.

The ultimate object of all marketing effort is to place goods in the hands of the consumers. Many marketing activities must be performed to accomplish this objective, the major ones being designated as 'channels of marketing'. These processes involve four main channels, those of assembly (concentration), dispersion (distribution), processing (preparation for consumption) and equalisation (adjustments of supply and demand). These functions are performed within a framework which has been built around a two-fold flow of product involving three major channels viz. assembly, processing, and dispersion. It is important to note that marketing functions are not only performed by middlemen, village merchants, stockists and bankers, but also by producers and consumers.² The marketing channels for Indian wheat are as follows:³

2. Ibid. p. 189

3. Khusro, A.M.: "Indian Foodgrains Marketing", Prentice-Hall of India, New Delhi, 1973, page 36.



The Banias and itinerant traders are the most important agencies in the market for purchase of agricultural goods. Besides, there are big cultivators, small commission agents, wholesale agents, cooperative marketing societies, etc. They dominate the field right from threshing floor to the doors of the users. The total gross value of products moving through these agencies was estimated at Rs 6,100 crores in 1964-65 and six lakh families or three million people were employed in performing these operations.⁴

The system of marketing as prevalent in the country is antiquated and the farmer regards it as a mere passive act. Under the existing practices, before the produce reaches the final consumer, it has to be handled and passed through a long chain of agencies and functionaries. The bargaining power of most of the farmers is weak and the conditions obtaining in the wholesale markets are not conducive to fair deals. The various agencies who take part in the assembling, processing, transporting, and distribution of foodgrains from produce to cover the cost of actual services rendered by them and the margins of profits, try to appropriate as large a share of the consumer price as possible. "Deliberate malpractices, ignorance and carelessness have all combined to make the consumer in India

4. Faruqi, N.Y.Z.: Regulating the Market,
Commerce Annual No. 1967, p. 133.

pay an unnecessarily high price for many goods of different quality.⁵ The share of the consumers price left for the producer is such as not to recompensate him for all his labour. The losses suffered by the farmers in the form of unwarranted high costs of marketing are, therefore, colossal.

The returns of the farmer are of consequence. The real and effective incentive to production lies in the net, steady and remunerative total returns to the farmer. Recognising that a well-organised structure of marketing is an important pre-requisite for developing the rural economy of the country, the Planning Commission laid stress on the improvement of marketing structure on cooperative lines, inter alia, progress for cooperative marketing, processing and for the establishment of warehouses has been implemented.

The development of marketing system is not commensurate with its importance in the economy of the country. Most of the markets are constructed haphazardly without any plan and lack basic marketing facilities. A bumper crop even now brings chaos to the marketing system due to the inadequacy of storage and transport facilities, and the non-availability of the market finance. The Rural Credit Survey Committee Report says that about 35% of the total production is sold by the cultivator, a larger part

5. The Report of the Marketing Sub-Committee, p. 77.

of it (about 24% of the total) to the traders and commission agents, 15% is disposed off in kind as wages or rent and nearly 8% utilised as seeds. In subsistence areas, in about one out of every three district surveyed, less than 15% of the total produce was sold to professional traders and commission agents. In the cash crop areas, in one out of every eight districts, more than 45% was sold to professional traders and commission agents.⁶

As a result of planned market, charges have been reduced and practices rationalised. Quite a number of market yards have been constructed with an improved layout. The Government of India, through the Agricultural Marketing Adviser, has drawn up Agmark grade specifications for quality standards. Even in the field of storage, much remains to be done. It is important because it is a prime factor due to which the farmers try to dispose off their produce at an earliest. Adequate transportation facilities need to be developed because the lack of it leads the farmers to sell their produce to the traders who readily pick it up from the assembling point. Similarly, adequate finances need to be provided to meet the credit requirements of the farmers.

Even in the available capacity, goods are stored under the most unscientific conditions. The Central Ware-

6. Rural Credit Survey Committee Report, Vol. II,
1954, p. 23

housing Corporation and Cooperatives provide scientific storage, but their progress is very slow. Inadequacy of storage space in village results in the hurried sales in the post-harvest period, resulting in a fall in prices. It adds to the distortion in the marketing costs. Inadequacy and unsuitability of transport facilities and transport of refractation not only increase the cost per unit of transport but also results in bottlenecks hampering mobility and local fluctuations in prices. At the primary stage of assembling, which is mainly the domain of small traders and big cultivators, the farmer gets most of his financial requirements from the unorganised banking sector. The cost of such accommodation is high. The following table ⁷ shows the storage capacity with the various Government agencies:

Government Agency	Storage Capacity (m. tons)			% of Total
	Owned	Hired	Total	
Deptt. of Food and FCI	2.62	1.26	3.88	35.5
State Governments	1.40	1.26	2.66	24.3
Central Warehousing Corpn.	0.65	0.31	0.96	8.8
State " "	0.23	0.60	0.83	7.6
Cooperatives	2.60	-	2.60	23.8
T o t a l	7.50	3.43	10.93	100.0

7. Planning Commission, GOI, IVth Five Year Plan, 1969-74, Draft, (Delhi, 1969) p. 13.

SECTION IFunctioning of the FCI:

The Food Corporation of India was set up in January 1965. The need for setting up such an organisation was recommended by Foodgrains Enquiry Committee 1957⁸ which recommended the establishment of "Foodgrains Stabilisation Organisation" under the Ministry of Agriculture for specific functions of open market purchases and sales, procurement and maintenance of foodgrains. Similar views were endorsed by the Jha Committee in 1964.⁹ The object was to have an organisation which functions on business principles and with a flexibility of approach and which is in a position to assume a commanding role in foodgrain trade.

The Food Corporation of India started with the purchases of rice only but its operations gradually spread to wheat, jowar, maize, bajra and gram. The FCI was designed to take-over the executive functions of the Food department. It was to function as a Statutory Corporation wholly owned by the Government. Section 6 (2) of the FCI acts reads "The Board of Directors, in discharging its functions, shall act on business principles having regard to the interests of the producers and consumers and shall be guided by such instructions on question of policy as may be given to it by the Government.

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8. Report of the Foodgrains Enquiry Committee, op. cit., page No. 84.
9. The Report of the Jha Committee, op.cit., page No. 2.

"During the 1950's and early 1960's, procurement of cereals was generally handled by the staff of the Revenue Department on behalf of the Department of Food and Civil Supplies. Since the inception of FCI in January 1965, it has taken over the procurement operations in thirteen out of seventeen States of India. The Corporation, however, only functions as the agent of the Central and State Governments. It has adopted various methods of effecting purchases. In States where there is a levy, levy orders are executed by the corporation according to whether they are on cultivators, millers or both. Where there is levy on the cultivator, the corporation uses cooperative societies and staff on deputation from the State Governments as collection agents. In some cases the corporation has opened its own collection centres. Where regulated markets function as in Punjab, Rajasthan and Haryana, the Corporation makes purchases through commission agents. Where prices are controlled, purchases are made at prices stipulated by the States; where prices are not controlled, purchases are made through negotiations. The purchasing methods of the Corporation are still in the process of evolution and are undergoing substantial structural changes in accordance with the changes in the Government policies and consequently in the role of the Corporation."¹⁰

10. Lale, U.J.: Foodgrains Marketing in India,
Cornell University Press, Ithaca and London, p. 229.

FCI's primary duty under Section 13(1) of the Act is to undertake the purchase, storage, movement, transportation, distribution and sale of foodgrains. In 1966, the Department of Food had constituted an advisory committee for the corporation under a notification which was rescinded in 1968. However, advisory committees known as the Boards of Management have been set up in Andhra Pradesh, and Orissa regions under Section (16) of the Food Corporation Act 1964. Informal advisory committee have also been set up in the regions of the corporation in Tamil Nadu, Kerala, Bihar, Uttar Pradesh, Madhya Pradesh, Rajasthan and Assam. The Corporation is giving certain concessions to cooperative societies in respect of handling, transport and clearance contracts. It has also made sizeable advances to cooperative societies for procurement operations against guarantees from the State Governments concerned. Funds are channelised, wherever necessary, through the apex institutions to the primary societies. An increasing quantum of the corporation's purchases is being undertaken in regulated markets which function under the respective States statutes. It has been opening an increasing number of direct purchase centres in remote areas so as to establish a firm relationship with the growers.

The FCI became the sole agent of the Government w.e.f. 1st April, 1969. In a span of five years, it had extended its activities both in terms of area of operation and the volume of purchase and sales. It registered considerable

progress in building up and holding buffer stocks of food-grains. Whilst a major part of the Corporation's transactions related to commodities like wheat and rice, which are traded on Central account, the corporation expanded and diversified its activities by trading in the open market and entering the field of processing technology.

"A quantity of 68.19 lakh tonnes of wheat (indigenous and imported) valued at Rs. 546.72 crores was purchased and 56.49 lakh tonnes valued at Rs. 451.77 crores sold. In addition a quantity of 0.16 lakh tonnes of wheat products valued at Rs. 1.55 crores was purchased and a quantity of 1.07 lakh tonnes of wheat products valued at Rs. 9.89 crores was sold during the year."¹¹

"Massive movement by rail of foodgrains continued during the year. Inter-State movement increased to 57.17 lakh tonnes from 41.42 lakh tonnes in 1970-71. Inter-State movement during the year was of the order of 68.81 lakh tonnes, compared to 49.45 lakh tonnes in the preceding year." Inter-State movement was mainly from Punjab, Haryana and Uttar Pradesh as is evident from the following figures:¹²

Punjab	...	26.42	lakh	tonnes
Haryana	...	9.46	"	"
U. P.	...	6.13	"	"

"The total storage capacity available with the Corporation at the end of 1971-72 was 82.67 lakh tonnes. This

11. Food Corporation of India, Annual Report, 1971-72, p.13.

12. Ibid. page 15.

was made up of 40.45 lakh tonnes of owned capacity and 42.22 lakh tonnes of hired accommodation. The comparative figures in the preceding years were 34.51 lakh tonnes and 27.99 lakh tonnes respectively."¹³

"Close attention was paid to the quality control relating to the purchase and storage of foodgrains. Both preventive and curative measures were undertaken in order to maintain the stocks in good condition.....There were 100 laboratories at the District, Regional and Central levels during the year under review. A total of 1,70,814 foodgrains samples were analysed in these laboratories.....A quantity of 20.97 lakh tonnes of foodgrains and 16.68 lakh tonnes of fertilisers were handled at different ports during the year. In all, 179 foodgrain vessels and 176 fertiliser vessels, as against a demurrage of Rs. 37.91 lakhs incurred by it."¹⁴

A Review of Functions:

Reviewing the functioning of FCI, the Foodgrains Policy Committee recommended that the Corporation should be entrusted with the entire responsibility of carrying out all inter-State operations and transfers of food envisaged in the National Food Budget. It should act as an inter-State distributor. In these States, where private trade is not allowed, FCI should be allowed to function as a trader. Where the State Governments employ a number of procuring agencies, FCI should be allowed to act as one of them. It should be

13. Ibid. p. 16.

14. Ibid. pp.16-17.

entrusted with the responsibility of the management of buffer stocks.¹⁵ These recommendations did not receive the attention of the authorities concerned, and no ostensible difference was made in the working of the Corporation. This is apparent from the fact that the annual review of the working of FCI for the year 1966-67 and 1967-68 do not make any reference to these recommendations.

The Committee on Public Under-takings recommended that the Central Government should utilise the forum of Chief Ministers' Conference and urge upon State Governments to evolve their procurement policies on stable basis. Where cooperatives are not functioning, the direct purchase centres should be opened in consultation with the State Governments so as to procure foodgrains directly from the producer. The Central Government in consultation with the Chief Ministers should strive to evolve an agreed pattern which would coordinate and streamline the market intelligence operations, so that it could serve as a reliable basis in planning of the procurement operations. The Advisory Committee be set up so that the matters of local interest may be resolved in consultation with the representatives of all concerned.¹⁶

15. Foodgrains Policy Committee, 1966, op. cit. pp. 50-52.

16. The Committee on Public Undertakings, 1971-72, Report XII on FCI, pp. 214-17.

SECTION IIFunctioning of Cooperative Societies:

Besides, the Food Corporation of India, there are a number of other marketing agencies. They have a pyramidal structure. There are at the base the primary marketing societies which cover all important mandis and markets in the country. These societies are federated into State Level Marketing Federations which are in turn federated into an apex institution called National Agricultural Cooperative Marketing Federation (NAFED) registered at New Delhi in 1958-59. It functions at all-India level for developing Export and inter-State trade of different agricultural commodities in the cooperative sectors. Its role is very important and dynamic in the handling of agricultural surpluses. Its area of operation extends to all the States. Its main function is to secure best return to the producer of his produce. The Marketing Societies can achieve this either by acting as an agent of the producer member or by making outright purchases from either member cultivator for onward deals, locally or in other mandies in or outside the State.

The procurement of agricultural produce is undertaken by NAFED from the State Marketing Federation, who in turn, purchase it from cooperative marketing societies. But at the lower level, the transactions by no means follow the principle of integrated marketing as bulk of the produce might have been purchased from the dealer-stockist through the agency of primary marketing societies. NAFED prepared an integrated

promotional programme for the development of cooperative marketing of agricultural produce in each State. Development of distribution work of the agricultural inputs by the cooperatives along with the intensive development of selected marketing societies as pilot centre for cooperation marketing in each State was followed in the programme.

Besides, NAFED stresses on the improvement of marketing intelligence service to the cooperative marketing societies; expansion of grading; promotion of marketing regulations; development of modern infrastructure; marketing surveys and, training of marketing personnel in the State promotional cells.¹⁷

The primary marketing societies may deal in a single or many commodities together. The most important single-purpose cooperative marketing societies in U.P, and Bihar are those dealing with Sugarcane; in Gujrat those dealing with cotton and fruit; in Punjab those dealing with wheat, oil seeds, gur, cotton, paddy, jute and grams; in West Bengal paddy, jute, cardamom, and coconut; in Kerala those dealing with honey, orange and cardamom, etc. These societies collect, grade, standardise, and make arrangements for the sale of the produce of their members and also advance loan to them, against the goods purchased. The multi-purpose societies are now becoming popular.

Those at the intermediary level operate over a part of a district or even over the entire district. They do the

17. Agricultural Marketing (Journal) April 1972, pp.12-15.

work of buying and selling, extend credit and other help to the primary societies, for example, they purchase and sell foodgrains, jaggery cotton and oil seeds in Gujrat and Maharashtra, distribute chemical fertilisers and oil cakes to agriculturists through primary marketing societies in Madras. Their members comprise of individuals and cooperative societies.

The apex marketing societies are mainly engaged in wholesale business. They coordinate the working of cooperative marketing as NAFED is doing.

This structure is not so well-knit. The unit at each level works more or less independently of those at other levels. As a result, the lower units do not necessarily feed the higher units nor do the higher units render any important service to them.

The present position of marketing societies is as follows:¹⁸

Name	Number	Membership	Working Capital
State Cooperative Marketing Societies	24	5,500	Rs 9 crores
Central Cooperatives	170	90,000	Rs 10 crores
Primary "	3,100	15 lakhs	Rs 32 crores

Although the development of cooperative marketing is in progress, though sporadically, it was in 1954 after the report of the All-India Rural Credit Survey Committee that the development of cooperative marketing received a real fillip. The committee gave it a real dimension. Its

18. Sundram, KPM: Indian Economy (R. Chand & Co., Delhi, 1974) page 149.

recommendations were accepted which paved the way for an organised and uniform development of cooperative marketing. To enable it to develop on the lines envisaged, a series of legislative, administrative and financial measures were allowed at the national level, for example, it concluded that marketing of agricultural produce was in the hands of those vested interests who controlled both the source of credit and the disposal of producer. Consequently, emerged the integrated Scheme of Rural Credit, which aimed at a simultaneous and integrated development of credit, marketing, processing, warehousing, etc. based on state participation and managed by trained technical personnel. This was embodied in the programme of planned development wherein multi-purpose cooperative marketing societies had an important role to play.

The programme of the cooperative marketing societies was expanded and intensified as far as possible. As a result, a phased programme for covering all important mandis by cooperative societies was drawn up. Their development was taken up on a priority basis during the year 1964-65 due to the critical food situation and rise in prices.

REVIEW OF FUNCTIONS AND SUGGESTIONS

(1) State Ministers for cooperation: The Conference of the State Ministers for Cooperation (held at Hyderabad on 19-20 Jan. 1964) recommended the following measures for encouraging cooperative marketing: ¹⁹

19. Mamoria, C.B. & Joshi, R.L.: Principles and Practice of Marketing in India (Kitab Mahal, Allahabad, 1973, p.770-71

Cooperative marketing should be clearly integrated with the credit, processing, and distribution through consumers stores. Additional share capital contribution to selected primary marketing societies should be made without delay. Government should arrange to provide adequate clear credit accommodating to marketing societies through the State Bank of India to enable it to handle substantial amount of business. The State and National Marketing Federations must play a positive role in the development of cooperative marketing by chalking out concrete programmes. Government should give positive preference to cooperatives in respect to the granting of licences for the agricultural processing units.

To strengthen the marketing structure, action must be taken to reorganise marketing societies in order to locate them in the mandis; enlist all primary agricultural credit service societies as members of local marketing societies; provide exemptions to marketing societies from the operation of sales tax and levy system; and, formulate specification programmes for increasing the business activities of primary marketing societies.

"A meeting of the Chief Executive Officers of the apex marketing societies and Joint Registrars of Cooperative Societies (Marketing) convened by NCDC to consider the problems relating to marketing of foodgrains, recommended a number of measures for the development of cooperative marketing. The important ones are that the cooperatives should

be utilised by FCI and other state trading authorities as the principal agent for procurement. On behalf of the cooperative marketing structure, the apex marketing societies should act as the main agency for dealing with the FCI. This would enable the cooperative marketing structure to pool its experience, resources and personnel and deploy them in an effective manner. The cooperatives must aim at purchasing the foodgrains directly from the producers and not the traders. Where marketing cooperatives undertake procurement with a view to routing supply to consumer stores etc. the State Governments may grant total exemption to the cooperatives from the levy system." 20

Besides, various committees appointed from time to time have also made certain recommendations for improving the working of cooperative marketing system. Among the important are:

(11) Foodgrains Policy Committee: The Committee²¹ was appointed to review the existing regulations, arrangements and systems regarding the movement, procurement and distribution of foodgrains with a view to bring equitable distribution. Its important recommendations are that "where cooperatives are functioning as procurement agents, arrangements should be worked out whereby the resources of FCI could be available within the agreed limits to the cooperative societies for procurement. All agencies should start on large construction

20. Cooperatives & Marketing of Foodgrains, National Cooperative Development Corporation, New Delhi, May 67, P.7-8.
21. Ibid. P.10.

programmes. In those States where cooperative societies act as monopoly procurement agent, the FCI should work through the agency of the cooperatives societies. For this purpose, close liaison should be developed between FCI and cooperative societies. FCI could also appoint the cooperatives, as its agent in certain cases or, in other circumstances, be itself the agent of the cooperatives according as the procurement agents of the particular State render it suitable. FCI can also help the cooperative societies in procurement operations by providing the facilities of finance, storage, etc.

(iii) Goswami Committee: The State Government of Assam appointed in 1966 another committee²² under the Chairmanship of Dr. M.N.Goswami to enquire into the question of procurement and distribution and other aspects of supply. The committee recommended the restoration of monopoly procurement of paddy to cooperatives in the State. Its observations are quite significant from the point of view of the role of cooperatives in the procurement operations. Some of its relevant observations are:

"In spite of being the sole licensee for procurement, the cooperatives had to face a serious competition from vested interests. As it was not an even competition because unlike ordinary trade, the cooperatives can not offer competitive prices in a rising market....even though far short of realisation of the targets....but in the perspective of

22.Ibid. p. 11-12

progressive socialisation of wholesale trade in foodgrains even a partial success on the part of cooperatives has its significance."

As regards the policy of eliminating cooperatives, the Committee strongly opposed it because the State support for the development of cooperative movement is a declared national policy; and secondly, the cooperative procurement organisation in the State has vested funds, built up personnel and other facilities. Therefore, any policy of outright elimination of the institution will be a retrograde step and will bring incalculable harm to the movement. Therefore, any protection required for the development of the primary marketing societies was strongly recommended by the Committee. Hence, the cooperatives should be given full powers not only of search and seizure but also of launching prosecutions where ever necessary.

(iv) Dantwala Committee: The Committee was set up to consider the role of marketing cooperatives in State procurement of foodgrains and their relationship with FCI. The Report submitted in February 1967 made the following recommendations:

The Committee felt that quite a number of marketing societies, given the financial support, were capable of undertaking the work satisfactorily. The experience of Maharashtra and other states bore this only. Therefore, the Committee recommended that while the apex marketing societies should be the agent of the Government or other state agencies for the procurement-purchase, the apex society in turn must invariably utilise the local marketing society concerned as its sub-agent.

The apex society, should as far as possible, always function through its affiliated societies in line with its federal character.

As regards the policy of the Government, the Committee recommended, that where ever the system of fixation of maximum prices or compulsory levy on traders, etc. is enforced, the State Government should see to it that all the traders observe them, and the cooperatives are not put to any disadvantage on this account. However, if the State is not in a position to do so, the proper course would be to reimburse the loss suffered by the cooperatives due to the policy of the State Government.²³

A Review of Recommendations:

The recommendations of the three committees reveal that they have placed great reliance in the cooperative marketing structure for undertaking the programmes of purchase-procurement of food grains undertaken by the State Government or the FCI. These recommendations are based on account of the past performance of the cooperatives in procurement operations and their suitability for the purpose. The cooperative agency was, therefore, given a positive preference in all the schemes of State trading in food grains. Cooperatives are not technically the Government agencies, but their relationship with Government is such that in most cases, they can be considered semi-government agencies.²⁴

23. Ibid. p.13

24. Ibid. p.14.

During 1964-65, the cooperatives were involved in procurement of foodgrains in varying degrees: In Assam, Maharashtra and Madhya Pradesh, procurement operations were effected only through the agency of cooperatives. In Madras, Mysore, and West Bengal the cooperatives were utilised to the maximum for building up the buffer-stocks. In Andhra Pradesh and Mysore division of the Mysore State, and Palghat districts in Kerala, the State Governments had asked the FCI to act as the sole procurement agent. FCI had appointed cooperatives here as their sub-agents alongwith the private traders. Orissa and Punjab were those States where procurement was undertaken but cooperatives were not involved. Bihar and U.P. are the States where the procurement was not undertaken on a sizeable scale and consequently, the cooperatives could not play any role. The Inter-State trade in foodgrains was also undertaken by the cooperatives. The Madhya Pradesh State Cooperative Marketing Society, the U.P. Cooperative Marketing Federation, the Himachal Pradesh Marketing Federation, the Punjab State Cooperative Supply and Marketing Federation, etc. have been actively involved in the inter-State trade of varied commodities ranging from jowar, bajra, gram, maize, mustered seeds, ground nut, gur, peas, potatoes to wheat, atta, broken rice, etc.

This experience shows that given suitable opportunity, cooperative structure is capable of playing a significant role as an instrument of a State trading policy. To help the To help the cooperatives in significantly carrying out its programmes, certain preconditions and facilities on the part

of the State Government would be necessary viz., a policy should firmly indicate the role of cooperatives and assistance, particularly in relation to raising the working capital funds, etc.

In fact, the cooperative marketing offers a lot of benefits to the farmers in strengthening his position as a seller. It offers a regular trade outlet to him. This helps him to fetch a better price for his produce. It also helps him in eliminating those undesirable forms of speculation in which the motive is profit from price manipulations. The consumer is also benefitted as he gets better quality goods which are properly graded and tested by these societies. It helps in the control of prices. It supplies essential manures to the farmers along with the credit facilities that it extends to them.

In spite of the various attempts by the Government for improving the cooperatives marketing system, not much headway is being made due to the absence of trained expert staff to extend the required technical advice to them. In spite of the efforts by the cooperative societies to extend credit facilities to the farmers, they have not been able to achieve much success due to the inadequacy of finances. They are also faced with the shortage of storing facilities. There still exist inadequate and under-developed transport system. It has not been able to win the loyalty of the farmers, who being illiterate, are often lured by the middlemen who tend to offer him fascinating prices, and certain other benefits like

lifting the bulk of the produce from the village place, and thereby saving the transportation cost of the farmer.

In spite of all the difficulties that are impeding the quick progress of the cooperative marketing societies, it is making a gradual progress. They have made impressive strides in marketing in respect of individual markets. In certain districts they have now to be reckoned as 'pace setters' and as influencing the structure of marketing by emerging as dominant functionaries of the producer members. But by and large, the hold of the traders in the country's marketing structure continues to be unabated even now.

SECTION III

For solving many of the marketing problems, and therefore making marketing of agricultural produce more orderly and efficient, particularly at the assembling point, one of the institutions developed in this country is that of regulated markets. Their main object is to regulate the sale and purchase of agricultural commodities and create conditions for a fair competition and thus ensure a fair deal to the farmers. Almost all the States have so far enacted and enforced the 'Agricultural Produce Markets Act' and established regulated markets thereunder.

"One of the major contributions of regulated markets has been the regulation of market charges against farmer-seller in the three markets averaged 8.65% of the value of produce. Following regulation they averaged 2.14% for an average reduction of 6.51 per centage points. The reduction was nearly 80% of

the original charges.²⁶ "Market charges in regulated markets have been reduced, the extent of reduction varying between 33-66% and unauthorised deductions completely eliminated. Correct weighments, fair dealings and prompt payment, are assured to the farmers. Pace of regulation has, however, not been uniform in all the States. Out of 3,406 principal markets in the country, only 1,253 representing about 36% have so far been brought under the purview of regulation."²⁷

The important features regulated markets are: to improve the methods of sale and introduce open auction or open agreement system by which the cultivator can get a fair competitive price for his produce. An outstanding achievement claimed by the regulated markets is the introduction of correct weighments of produce through the system of licensed weighmen and mandatory use of standard weights and measures. The most visible advantage has been the reduction in market charges.

The functions of the market committees as laid down under the rules include the arrangements for dissemination of market news service, grading and the provision of various amenities for the users of the markets. The various amenities provided are the drinking water arrangements, both for cattle and human beings, parking space for bullock carts, rest houses for the producers and suitable auction sheds, etc.

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26. Moore, John R.; S.S. Johl; A.M. Khusro: Indian Foodgrains Marketing (Prentice-Hall of India, New Delhi, 1973, pp.57-8).
 27. Badekar, S.K.: Marketing of Agricultural Commodities, National Food Congress, May 1970 (Min. of Food, Agriculture, Community Development & Cooperation).

"The expert committee under the Chairmanship of T.G. Shirname²⁸ was appointed by the Government of Bombay in 1955 to review the working of Bombay Agricultural Produce Markets Act in its report observed that in providing the machinery for regulation and choosing the method of regulation, certain essential features were taken into account:

1. The conception of market regulation has to be based on the fundamental truism i.e. till the agriculturists are able to handle the business by their own individual efforts, the effort must be directed towards making the existing marketing functionaries function to the greater advantage of the producer rather than driving him out of the trade;

2. The market must provide facilities for trading, regulate them on an equitable basis, facilitate the settlement of disputes arising from the trading activity without driving the parties to protracted litigation in the courts and place at the disposal of the buyer and seller a mechanism with which bargains can be made and completed without causing any loss to one or the other.

3. The market should be in a position to provide ancillary facilities such as godowns, communication, transport and credit and where it has not the means or power to make them available it must try to secure them or with the help of other agencies."

28. Seminar on Marketing of Agricultural Commodities.
Indian Society for Agricultural Economics, Bombay. 1.
April, 1965, pages 80-81.

Prof. Dantwala in his report on the enquiry into the working of regulated markets in the Bombay State (1951) has observed that "The best that a marketing legislation could do under normal circumstances and without trespassing on the sphere of the production and the fiscal-monetary factors affecting demand, is to equilibrate the bargaining power and create conditions conducive to more perfect competition. This would necessitate strengthening the organisation for marketing intelligence, storage, grading, pooling and adequate credit and finance, to mention a few important items. The cooperative movement can take care of many of these. The point to be noted is that unless the attack is from all key points, even the best isolated piece of legislation may not yield the desired result."

The regulation of marketing has brought practically no change in the structure of marketing as judged from the elimination of some intermediaries. In general, the market committees can be said to have taken up only the supervision of the sales. There is, however, an evidence to show that there has been an increase in the number of market functionaries during the last decade. The increase in the market arrivals consequent upon the increase in the agricultural production, removal of controls and open market operations are among the various reasons for this increase.

"Prof. Dantwala and Expert Committee 1955, have both observed that the Acts conferred distinct benefits on the agriculturists. The two tangible benefits are that he knew the exact price that he gets for his produce and the charges which he had to pay as the cost of marketing."

"Though the Act has not been able to produce the desired results fully, its achievements in spite of its limitations, the lack of adequate experience and organisational difficulties, reinforce the faith in its potentialities. Though the results have not been so spectacular and impressive, it has no doubt conferred many socio-economic advantages on the producers in the areas where the Acts have been enforced. On the whole, the regulated markets have exercised a wholesome influence on the marketing structure and have generally raised the marketing efficiency at the primary level i.e. assembling point."²⁹

SECTION IV

Formation of marketing zones has been one of the important measures by the Government of India with a view to regulating the distribution of and thereby checking the rising trend in prices of foodgrains. The rationale behind the measure is that of establishing certain normal trade channels as between the surplus, self-sufficient, and deficit States by matching the deficit States with the surplus States. Movement of cereals within the zone is left free but movement out of these zones, except by special permit, is prohibited. Thus surplus in any zone is procured by the State and exported to other needy areas on a State basis. This is done to promote regional self-sufficiency, conserve supplies for local use, facilitate procurement and check speculative rise in prices and profiteering. These

29. Seminar No.5 on Marketing of Agricultural Commodities, *ibid*, p.82.

would minimise the demand on Government supplies, in the context of a shortfall in production of that cereal and would eliminate cross movements of that cereal.

This measure of formation of marketing zones was taken for the first time in the year 1957. The Government formed three wheat zones in June the same year to check price deterioration. The formation was as:

1. Punjab, Himachal Pradesh, and Delhi;
2. Uttar Pradesh; and,
3. Rajasthan, Madhya Pradesh and Bombay (excluding Greater Bombay).

In December the same year, wheat products like biscuits, bread, cakes, etc. were excluded from the purview of the order. In April 1958, Greater Bombay was also included in the third zone. In July the same year, movement of wheat from Madhya Pradesh by any person outside the third zone was allowed against permit if wheat was grown by him on his own land. In the same month, export of wheat was permitted from Punjab to Jammu and Kashmir. In August 1959, export of wheat and wheat products from the Union Territory of Delhi to any place outside was banned. In February 1960, the Western Wheat Zone consisting of the States of Madhya Pradesh, Bombay and Rajasthan was split into three separate zones, thereby increasing the number of wheat zones to five. Later on, movement of wheat from Madhya Pradesh to Maharashtra and Gujrat was allowed under the Madhya Pradesh Foodgrains (Export Licence) Order in November 1960. With the easing of the supply situation, movement of wheat from Punjab and Madhya Pradesh into any wheat

zone was allowed in January 1961 under a permit by the State authorities. The prospects of a bumper wheat crop during 1960-61 further helped to relax the restrictions on the movement of wheat in the country. All zonal restrictions on the movement of wheat products throughout the country were removed with effect from April 5, 1961.

At present, the States have been formed into single State zones. But the zonal system is not without its disadvantages: "It tends to depress the prices of foodgrains in the surplus States. Therefore, the producers lose all incentives to produce more. They shift to non-cereal crops as there are no restrictions on its movements. Besides, there is a large market for it.

Consumer is also a loser in zonal system because:

- (i) In deficit States, they pay higher prices for foodgrains than those in surplus States;
- (ii) these higher prices are reflected in the general price index and this ultimately tends to push up the prices of other commodities also; and,
- (iii) the deficit States may also put restrictions on such agricultural commodities in which they specialise - prime example is the ban put by Gujrat Government on the export of oilseeds which resulted in the prices of vegetable oils soaring in the country.

Hence, the zonal system can be the harbinger of serious commercial warfare between the States."³⁰

30. Kalra, O.P. Agricultural Policy in India, Popular Prakashan, Bombay, 1973, p. 17-19.

CONCLUSION AND SUGGESTIONS

CHAPTER VCONCLUSION AND SUGGESTIONSBrief History:

Forties was the period of 'Grow More Food Campaign'. Fifties was the time of 'Community Development' although agricultural extension works, fertiliser distribution, rural education, plant pest control, were some considerations. This was followed by 'Green Revolution' in mid-sixties. The instability in the growth rate and a shortfall in production indicate that scientific farming has not taken deeper roots and the farmers' abilities in dealing with unfavourable situations by making suitable adjustments have not yet been developed. This also indicates that no serious efforts have been made to tackle the situation on a more realistic basis. Hence, it can be safely concluded that the food problem is more due to our policies and the administrative machinery than to mere shortfalls in production.

Besides, the social restraints can not be overlooked. There has actually been a decrease in the market arrivals. Undoubtedly, there has been a large scale hoarding by the traders. This has been coupled with social factors like an increase in the number of people leading to a higher consumption levels without increase in productivity, etc. Even the cattle and livestock have been making increasing demands on the limited

supplies of foodgrains due to a reduction in the area under pasture and meagre availability of other cattle feeds.

Constitutional Provisions:

The founding fathers of the Constitution gave due weight to the problem of agricultural development by incorporating certain policy directives in part IV of the Constitution. Besides, the Centre derives its powers in respect of agriculture in the fields of production, supply and distribution of food stuffs including edible oilseeds, oils, fodder, raw cotton, and raw jute (Item 33 of List III), supply and distribution of agricultural input, agricultural credit, price control, etc. However, the State Governments have also been given considerable autonomy, and in the State List (Item 14, the Seventh Schedule) agriculture has been placed under the State jurisdiction. This provision specially relates to animal husbandry, irrigation and drainage, rights on land and land records, etc.

The Centre's powers in the field of agriculture are not such as the Constitution may have directly conferred upon it, but these are more in the nature of derived powers. A natural corollary of it is that the State's autonomy in the field is not absolute; it is restricted by the Centre's powers in this behalf which are derived from its exclusive and concurrent jurisdictions under the Constitution.

The Centre's powers are essentially in the nature of overseeing, evaluation, coordination, determination of standards, policy formulation, guidance, and advise to the constituent States in matters relating to agriculture. However, for the

implementation of the food policy, the Centre depends exclusively upon the administrative machinery of the States.

Although the decisions with regard to the major ingredients of food policy, namely, production (including imports), procurement, price fixation, zonal restrictions are the result of major mutual consultations and discussions between the Central and the State Government, yet not much success could be achieved in the sphere of wheat trade takeover. The Government had been appointing various Committees and Commissions to enquire into the food situation from time to time but their recommendations were played on a low key.

Policy Formulation and Implementation:

The Government had opted for a planned economic development. In the agricultural sector, the policies formulated and pursued in the context of Five Year Plans lacked in realism and their implementation in the vigour necessary for its success. It has failed to generate interest and initiative amongst the farmers. The programmes of the State Governments are oriented towards getting maximum allocations from the Centre than towards the exploitation of the potential in each State. This coupled with the weak economic position of the farmers, inhibits agricultural development. The economic restraints and absence of rewarding investment opportunities lead to the failure of any policy of the Government.

The success of any policy depends on its effective implementation. There are wide disparities between the States

in the sphere of social, economic, political, geographical factors and so on. This adds to the problems. It calls for an even distribution of food grains and allied things in the country. The problem becomes acute when the surplus State Governments refuse to cooperate with the Central Government in meeting the deficiencies of the deficit State Governments. Each tries to have an upper hand. At the lower level, the farmers have no associations through which to argue their points of view. This prevents the members of legislature and public bodies from making any meaningful contribution in the policy formulation.

The implementation of agricultural programme suffers from common administrative hurdles like procedural bottlenecks, shortage of trained personnel, lack of delegation of power, and other such organisational weaknesses. Despite the existence of Community Development Projects and other such coordinating agencies, coordination continues to be the acutest problem. What is therefore important is to have a more forth-right and an effective expression of the local problems whether it is in the process of planning, policy decisions or implementation.

Procurement System:

Political variable has played an important role in the Centre-State relations. This has disturbed the balance both horizontally and vertically. As the States are divided on the various issues, it is difficult to arrive at a policy

decision successfully. The decision taken against the wishes of the opposition States, results in resistance and thereby in the failure of that particular scheme. This is what exactly happened when the Government decided to takeover the wholesale trade in wheat. The need of trade takeover under the prevailing circumstances can not be debated. The failure of the scheme can be attributed to the non-cooperative attitude of the majority of the States.

The State Governments had their own difficulties. For example, when the system of incentives was introduced in June 1973, the State Governments did not know the total amount of incentives that they would be getting from the Central Government nor did they have the proper system of giving incentives. This resulted in the failure of the scheme.

The stoppage of imports by the Government in January 1972 further aggravated the worsening food situation. The high international prices of wheat along with a shortage of foreign exchange lead to difficulties. The Government's measures like anti-hoarding and restrictions on the movement of food grains also did not meet with much success. This adversely affected the price stabilisation policies of the Government. In spite of varied steps taken by the Government to bring the demand and supply of food grains at par, it could not achieve its objectives and ultimately had to reverse its policy. The Government once again failed in its attempt to maximise the marketable surplus, even though stringent measures were held out for those who sold at a higher price in the open market.

Agricultural Marketing & Distribution:

The Government's objective of maintaining an equitable distribution of available foodgrains at reasonable prices to vulnerable section of population is not possible if a continuous supply is not maintained. This calls for an effective public distribution system. However, statistics reveal that the Government was long on commitment and short on supply.

Defective system of agricultural marketing impedes greater production as well as better distribution of the agricultural production. Lack of proper marketing services, ungraded and unstandardised commodities, poor and unscientific packing, storage and methods of transport, absence of public markets and warehouses, unbalanced production, lack of market information, unfair practices by middlemen and bad credit facilities are the most important causes of inefficient marketing and high costs. These factors have been partly solved by the Food Corporation of India. Attempts have been made to improve the storage facilities, establish more warehouses, give better prices, regulate the marketing system alongwith minimising the number of intermediaries. Better grading systems have also been introduced. Although the FCI plays an important role yet the middlemen have been playing an important role in helping the farmer in transportation, storage, sorting, grading and assuming risks. They provide credit facilities - a popular way of luring the farmers. They pick up the stocks of grain from the point it is produced thereby saving the transportation

costs of peasants. However, the margin taken by the middlemen tends to increase the cost of produce and the consumers have to pay more.

The FCI and other allied sectors have failed in their attempt to procure more and to supply the required amount because the farmers have joined hands with the traders which prevents larger amounts of marketable surplus from coming to market for sale. What the farmer needs is the net, steady and remunerative returns. The prices offered to him by the Government are not very attractive and the mode of payment adds to problems. The middlemen pay him in cash; by doing so they assume a place of importance and thereby disrupt the proper functioning of the markets.

The FCI is dependent on the various cooperative marketing societies existing in a number of States like Gujrat, Kerala, Maharashtra, West Bengal, Uttar Pradesh, Bihar and so on. The programme of cooperative marketing is being expanded and intensified as far as possible because, various Committees appointed now and then have observed that given suitable opportunities, the cooperative structure is capable of playing a significant role as an instrument of state trading policy. In fact, they have been offering large benefits to farmers in strengthening his position as a seller, thereby helping him to fetch a better price for his produce, besides saving him from undesirable forms of speculation. However, lack of trained personnel capable of extending technical advice is standing as an obstacle. Lack of adequate finance has

prevented the cooperative societies from making much headway in extending the credit facilities to the farmers. Again, due to lack of proper storage and transport facilities, the cooperatives have been facing the same problem as the FCI and the itinerant traders are once again assuming importance. The private trade is capable of handling food distribution at a nominal charge. But the State trading has imposed a heavy financial burden. Neither the consumers nor the producers have had the advantage to the extent envisaged. The consumers have to pay more as the ration off-take is not sufficient to meet their requirements. Had the Government not subsidised the imported wheat but paid higher prices to the farmers - probably it would have gone to the advantage of the Government. Aggressive open market purchases would have helped in doing away with the intermediaries.

Summary:

The food problem in India is a problem of few States. Therefore, the Central Government must help them in the maximum possible manner to achieve self-sufficiency by resorting to various techniques like bringing more acreage of land under cultivation. In deficit states like Kerala, the production of commercial crops should be stepped up by intensive methods so that the area under food crops is not diverted.

The zonal restrictions act adversely on the farmers in surplus States while it leads to unrest in deficit States. Even the Government, with its control over inter-State movements

of foodgrains, has not been able to transfer much to deficit States, although this has been the accepted responsibility of the Government and the justification for single state zones. The prices in surplus states tend to remain lower providing as a disincentive to production. This has been accentuated by the fact that the Government has not been able to tap the available potentials fully in surplus states and the private trade is not allowed to buy for inter-state trade. Although the market prices tend to remain high in deficit states, the farmers are penalised since they have to surrender the foodgrains to Government at rates much lower than the market rates. The disparity in prices between surplus and deficit states affect the producers in an adverse manner. As a result, the Government has not been able to procure sufficient foodgrains from surplus states for transfer to deficit states. It is even now facing grave difficulties in meeting its commitments to statutory and informal rationing areas, let alone its aim of building up a sizeable buffer stocks.

While the Government's administrative machinery is rapidly expanding mainly with a view to rendering assistance to farmers, its impact on educating, enthusing and serving farmers has been unfortunately poor. Although a number of farmers' organisations are working at various levels in the country like Bharat Krishak Samaj, National Tonnage Club, Young Farmers' Association, etc., they do not get sustenance from farmers in the villages. Consequently, these associations

do not reflect adequately and powerfully the voice of the actual tiller of the soil. As most of these organisations depend on the Government for their financial resources, they do not have complete freedom and independence in expressing their views. As a result, the farmers do not have an effective voice. This is an important reason why, in spite of the magnitude of efforts put in and the extent of resources utilised that, progress in the agricultural sector has been very sluggish. Federations of farmers' organisations at the block, district, state and national levels should therefore be encouraged as these would help the Government in formulating realistic policies and in their implementation.

When once the inhibiting factors are removed, adequate finances are made easily available, profitable inputs are produced and distributed efficiently, and a market system enjoying the full confidence of farmers is built up, there is no doubt whatsoever that the policies of Government would meet with greater success. The farmers will be enthused to put in their best efforts to increase agricultural production. Therefore, the urgent need is to remove all factors inhibiting agricultural development, remunerative support prices ensured, for agricultural produce, production incentives (efficient market system, crop and live-stock insurance, etc.) offered. Self-sufficiency in food grains and other agricultural commodities should be backed up by realistic policies and an efficient administrative system.

SUGGESTIONS

Coordination of different Agencies:

A wide programme of takeover of wheat trade requires the help of different agencies. Their coordination starting from the district level onwards, is required to make the programme a success.

The Government's action so far has tended to bring the rich farmers and the traders of foodgrains closer. Together they have succeeded in making the Government's policy a failure. Without their active cooperation any amount of rules and regulations along with the extension of powers to the procurement agencies will be a failure. Hence the policy should be to gradually eliminate the trader who acts as a middleman.

Vigilance Cells:

To prevent the unauthorised movement of foodgrains, hoarding and blackmarketing small vigilance cells be set up alongwith people's committees at the village level to unearth the hoarded stock of foodgrains. They will also help to bridge the gap between bureaucracy in charge of the procurement and the actual producers. They should also see that the Fair Price Shops and the licensed retailers do not manipulate the stocks by mixing inferior foodgrains and the buyers are subjected to undue harassment.

Shift to other Crops:

When the agriculturists feel that the prices of wheat are unremunerative they usually shift to the production of

other coarse grains or cash crops whichever proves to be profitable. Therefore, together with the takeover of wheat and rice trade, the Government should also nationalise other grains in order to bring stability in the inter-grain prices. This would act as a disincentive to any shift in the pattern of cropping.

Non-monetary benefits:

There is a deep seated grievance in the agriculturists that the procurement prices of foodgrains have remained stationary when the prices of everything else have gone up. The Government cannot increase the procurement prices beyond the extent to which it has done, or else, the entire objective of takeover scheme would be defeated. However, the Government can confer non-monetary benefits on the agriculturists in the form of supplying seeds, fertilisers, manures and the like at subsidised rates so that that section of the cultivators who claim that their input costs have increased while the returns (even without an increase in the yield per acre) have not, will no longer grudge because they will not have to shell out extra sums of money on inputs. The Government too will not be a loser. If this helps in drawing adequate and desired results in the form of increased production, the Government machinery can then be compelled to increase the price of procurement. The linkage of fertilisers and seeds with procurement prices as incentives would not only be a welcome decision but would also help in reducing the inflationary tendencies.

Import of Foodgrains:

The Government imports bulk of foodgrains (especially wheat) and spends large sums of foreign exchange to meet with the food shortage emergency as and when they come up. This gives impetus to the traders to hoard greater quantities of foodgrains and release them at lean times, thereby earning huge profits. Simultaneously, it induces the farmers not to increase the production and press their demands to the Government who would go in to their demands. These actions are a consequence of the fact that the gap between the demand and supply would be met by increasing imports. Together, they lead to a situation where the joint efforts of the traders and farmers adversely affect production, procurement and distribution. Therefore, the Government should try to minimise imports. Instead of spending its foreign exchange, it should give greater incentives to the producers both monetary and non-monetary. Its twin benefits would be that not only the production will increase but the producer-seller would prefer to sell its produce either directly to the Government or its allied agencies. The foreign exchange thus saved could be utilised in the imports of agricultural inputs, technology and the allied which would, in toto, help improve out agricultural conditions.

Personnel Training Programmes:

Proper personnel training programme is essential for securing high degree of administrative efficiency. The success of any radical Government measure calls for an honest, efficient and committed bureaucracy which, however, is missing to some

extent at present. This has led to a situation where the small traders of foodgrains have some hold in small town politics and this raises doubts about the successful implementation of any policy.

Need for Buffer Stocks:

At present there is an urgent need to build up buffer stocks as the country is in the grip of droughts and famines often and on. The dismal look on the food front in the normal time aggravates during the lean periods with scanty reserves in the Central pool. The forthcoming imports of foodgrains are meant for current consumption and, therefore, the buffer stocks are to be raised from internal sources which consequently calls for strict discipline on the food front. Raising up of buffer stocks with adequate quantum of food grains would help in meeting with the food requirements of the country which would save it from many a vicious circles.

Food Zones:

Single State food zones has added to the complexities. It has proved as an incentive to the hoarders and black-marketeters who make profit by smuggling food grains thereby disrupting the regular channel of supply. To even out supplies, the Government should keep strict vigilance on border areas to prevent smuggling. It should adopt such measures with which to win the active cooperation of the farmers to prevent them from joining hands with hoarders. It should then intensify its procurement drive.

Relationship of Surplus and Deficit States:

Distribution of foodgrains from surplus to deficit states

leads to a tendency of dependence in the deficit states and they usually tend to show increasing deficits even though it is well within their reach to increase production and meet their food requirements. Hence, the Central Government should be very cautious while allocating. This should be supplemented by laying down broad outlines of plan for the deficit states to increase the level of production. For the purpose, the State Governments should be given sufficient autonomy and all necessary help be rendered to them by the Central Government. It should encroach upon the State's jurisdiction only when it fails to comply with and ensure desired results. It will also not leave any grudge amongst the surplus states that deficit states are a parasite on them. The surplus quantity of grain which is usually hoarded by the big landlords in the deficit states should also be dehoarded in a bid to get what ever the deficit state has to offer to meet its food deficit.

Reorganisation of Distribution System

The Government should establish a network of its distribution system all over the country. The system should cover the population of the country as a whole, including the agricultural population, and not a limited section. This will not only ensure a uniform consumption rate through out the country but will also help in sharing the deficits equally amongst the population without the grudge of the surplus states. In the context of present emergency, it is well within the reach of the Government to adopt such a measure.

Agro-Consultancy Services:

The Central Government can also provide agro-consultancy services. They would function like the Industrial Consulting Houses. They would help both the private and the public sector undertakings in agriculture. To start with, the Public Corporations and companies can be floated to tap the resources. It will help the Government to bring the pricing policy in its grip. The uniformity in prices will be in addition to the assured supplies of credit facilities. If the Government does not have adequate financial resources to start, it can make it compulsory for the private traders, big farmers, companies and the like concerns to invest in the shares of these Corporations instead of floating separate loans.

Milling and Processing Units:

The Government should ensure proper and adequate milling, processing and storage units nearer to the production centres in a big way. This will not only help in avoiding wastage of food grains estimated at about 10% of the total production but would also help in relieving unemployment. Simultaneously, the agro-based industries should be set up in all villages. This would help in absorbing the additional agricultural labour. Its main advantage would be that the influx of rural population coming to the urban areas on a look for better opportunities would be stopped, especially when they are assured of remunerative minimum wages which would help them to raise their standard of living. The Government can come in a big way in procuring the raw materials like iron, coal, power, etc. to start the industries. Consolidation of rural population would also lead to increase in the per capita income.

Long Term Consistent Policy:

The role of good and consistent food production policy can not be ignored if we have to adopt the above measures. Therefore, the essential ingredients of production scheduling in order to optimise production are: remunerative price policy; detailed cost analysis of each crop and an improved infrastructure to stimulate growth. A separate mini plan may be implemented whereby agricultural production can be boosted up without affecting any reduction in the plan outlay for the industrial sector. The mini plan has to be formulated keeping in view the total plan outlay and the allotted resources therein. Most of the plan resources should be allotted to the agricultural sector and even within it, the priorities should be set. Such planning should be initiated at the grass root level giving adequate powers to Panchayati Raj for optimum utilisation of the funds.

Small Modernised Farms:

As the Government entered the industrial field in a big way, it can also utilise vast areas of inaccessible lands, provide irrigation facilities and have its own farms. The setting up of the State owned farms will eliminate the problem of unemployment amongst the agricultural labourers. It will also help in raising the level of agricultural production while making an effective utilisation of the available resources. It will help bring down the land-man ratio. Above all, it will prove a disincentive for the traders and big farmers in their hoarding, smuggling and black-marketing operations.

APPENDIX

CASE EXAMPLES OF PUNJAB, U.P. & BIHARPunjab:

Punjab has been adjudged as the 'granary' of India. It is surplus in all foodgrains, the largest being in wheat. Punjab's agricultural economy has certain peculiar features of its own which help in the raising of production of agricultural goods. For example, the fertility of the soil, larger area of land under cultivation being irrigated, adoption of modern techniques along with the absence of chronically deficit areas, better operations of the procurement agencies and the existence of a large number of regulated markets, have all contributed in increasing the level of foodgrains production in Punjab.

Procurement in Punjab is done through three public agencies, viz. Food and Civil Supplies Department, the State Cooperative Supply and Marketing Federation (Markfed) and FCI. Two types of Commission Agents function in the mandis viz. the kacha arhtias and the pucca arhtias. The former are grower seller's agents and the latter are the purchasers agents. The pucca arhtias are entrusted the business of shouldering the responsibility of cleaning, filling, proper stitching and correct weighment of foodgrains. They also arrange for carting of the stock and delivery in the godowns of the procurement agencies. They make payments

to the kacha arhtias for the stocks purchased through them and later on, they get it reimbursed from the procurement agency. The Cooperative Societies have yet to make any worthwhile contribution because it will take some time before the farmers began to attach some importance to them. It is because they have failed to perform the function of ensuring prompt payment, assisting the procuring staff in arranging the filling, weighing, and stitching of the bags. They did not evince any interest in the safe custody, cartage, storage and despatch of the stocks.

A survey conducted in 1964-65 by the Punjab Agricultural University, Ludhiana, to study the impact of changing conditions on grain marketing institutions and the structure of grain markets, came to a conclusion that the rapid quantitative growth of marketing societies does not seem to have been followed by a proportionate increase in the volume of agricultural business and the private trader still continues to handle a sizeable proportion of the market arrivals.

Although regulated markets and sub-market yards are existing on a large scale, the cultivators still prefer to sell their produce through the commission agents because they can get clear loans throughout the year which they cannot obtain from the cooperatives. Hence, all marketing cooperatives should be linked with the cooperative credit societies because the former can ensure a better price for the agriculturists' produce and the latter can provide cheap credit facilities. This would

help in easy repayment of the loans along with the saving of the middleman's profits.

Imperfections of the marketing system do act as a major constraint but it does not seem to have any adverse effect on production in Punjab as is borne by excellent market arrivals of wheat. The farmers are contented with the procurement price and wheat bonus of Rs.8/- per quintal. Regretment, however, persists over the mode of disbursement of bonus and the fact that bonus certificates can be encashed only at the Markfed fertiliser depots. But the State Government has now allowed the farmers to buy fertilisers against bonus coupons even from private dealers.

Uttar Pradesh:

Uttar Pradesh has remained economically backward in agriculture. The State is vast in area and is composed of regions of varied character. There are surplus as well as deficit pockets with regard to the food production. Like Punjab, the farmers of Western U.P. have adopted the new techniques for increasing production. The Pantnagar Agricultural University has been making sufficient advances in the field of agricultural development. The quantum of production has been increasing. However, the existence of a chronically deficit region, Eastern Uttar Pradesh, nullifies all the surplus production. This region has been struck up by natural calamities like droughts, famines, etc. Hence, they have to look up to their surplus region for meeting their food requirements.

Besides the Food Corporation of India, the procurement operations are undertaken by the Food and Civil Supplies Department of the State. The latter's procurement drive can not be considered spectacular though a great degree of success has been achieved. Procurement is mainly done under the Levy System, according to slabs ranging from 15% to 60% of the produce, with higher slabs for bigger holdings. Most of the levy is usually realised from the small and middle peasants with holdings ranging between 3.5 to 10 acres. Landlords with less than 3.5 acres are exempted from levy. The big farm holders and the traders are cornering the remaining surplus with the expectation of earning higher profits. On the contrary, the small farmers with holding of less than 3.5 acres pledge their produce to traders against loans from the traders for seeds, fertilisers, etc. This adversely affects the direct purchase system of the Government.

The open market arrivals of wheat in the State are good. The off-take from the Fair Price Shops has become very sluggish. The consumers are buying from the open market. The wholesale purchase price has fallen to Rs. 116/- in some districts of Western U.P. though it is as high as Rs. 160/- in the deficit regions.

The core of food problem in Uttar Pradesh has been one of ensuring an even and uninterrupted supply of foodgrains within the State rather than one of meeting an overall food deficit in the country. Due to lack of a long and consistent agricultural policy in the State, the trading class has been benefitted at the cost of the producers and that aggravated

the inflationary situation. The scope of procurement varied from getting supplies from the farmers to getting just supplies to meet the commitments for local distribution and for export to deficit areas within the State.

A comparison between the States of Punjab and Uttar Pradesh reveals that Punjab tends to excel because it has been tackling its food problem squarely alongwith a strong implementation of rules and regulations. Of late the dehoarding campaigns initiated by the State Government of Uttar Pradesh did fetch some spectacular results but they did not last long. The following table would help in the comparison of the production and procurement of wheat in the two states:

State	Year	Production ('000 tons)	Market Arrivals	Procure- ment	4 as % of 3
1	2	3	4	5	6
Punjab	1970-71	5145	3119	2938	60.6
	1971-72	5618	3438	3438	61.2
	1972-73	5361	2765	2707	51.6
Uttar Pradesh	1970-71	7690	1606	1145	20.9
	1971-72	7550	1246	843	16.5
	1972-73	7633	876	816	11.5

Source: Agricultural Prices Commission Report
On Price Policy for 1974-75 Season,
February, 1974.

Between 1970-71 and 1972-73, the production in both the States have been increasing. The difference in production is, however, due to larger area under cultivation in U.P. because of its overall geographic area. However, the market arrivals have been spectacular in Punjab which has been approximately

55% of the total production. In U.P. on the contrary, it has been 15%. This reveals the fact that the farmers are more cooperative and contented with the prices offered to them unlike their counterparts in U.P., who have been speculating better prices by hoarding of the foodgrains.

Even in regard to the procurement operations, the procurement agencies in Punjab have been more successful in mopping up the produce which has been approximately 50% of the total production in the State. The comparative figures in Uttar Pradesh have been quite disappointing. This calls for a rigorous implementation of food policy in the State of Uttar Pradesh.

Bihar:

Bihar is a predominantly agricultural State. Virtual stagnation in the economic growth of the State is reflected from its over-dependence on agriculture and very slow rate of growth of industries. Though agriculture is the backbone of the State's economy yet agricultural production has remained unstable. Varied factors are responsible. For example, natural calamities like floods, droughts, etc. coupled with lack of irrigation facilities have all accounted for low production. Various intensive and extensive innovations were adopted to promote production in the third and fourth five-year plans. The production of wheat has increased. For example:

Year	Production in M.tonnes
1966-67	3.65
1967-68	9.13
1968-69	9.53
1969-70	9.66

Even this slow rise is contained in certain pockets of the State of Bihar and is a result of adoption of new techniques by a few rich peasants while the majority of the peasants are living below subsistence level.

The stock position of the State Government itself is a better and clear indication of the deepening food crisis in the State. While the industrial and urban areas are getting the reduced supply, however irregular, the rural areas have been denied even minimum of food supply in spite of the Government's efforts of enforcing a drastic cut in wheat ration. Hoarding of foodgrains by the rich farmers, in a bid to push up the prices, make it impossible for the lower strata of population to purchase in open market. Agitational measures are ineffective.

Though Bihar has a good amount of cultivable land yet the production of foodgrains is inadequate to meet even the local consumption needs.

Though there exists a sufficient potential in the State yet, the slow rate of production could be mainly attributed to a lack of rational and progressive land tenure system where a large proportion of cultivable land is in the hands of a few. The very nature of land distribution system leads to class conflicts and social stagnation.

A majority of cultivators in Bihar are small farmers with small and scattered holdings. The semi-feudal characteristics still exist to an extent. Besides low production there is a large scale man-made food shortage. The big landlords hoard almost all their surplus production. The big traders

aggravate the food shortage by indulging in hoarding and smuggling. This made the situation on food front worse and calls for radical measures of land reforms.

The main incentive for improving agriculture comes from its sale system. There has been an organised effort to implement the basic development programmes relating to agricultural marketing. The Regulated Markets Act which was passed in 1960, has not brought about sufficient changes in market procedures and channels. However, with the establishment of State Marketing Boards and Marketing Committees in different markets, the enforcement of Agricultural Produce Market Act 1960 has been implemented. The Marketing Board comprises of experienced officials and agricultural experts while the Marketing Committees are composed of representatives of farmers, traders and Government Agencies. The administrative measures have been directed more towards collecting the Marketing fees.

The Committees have not been able to efficiently organise the buying and selling operations. Even the facilities of storage, godowns, etc. provided by them are not effectively utilised. Not much has been done to improve the access roads, grading and clean facilities. Their mounting incomes are largely been utilised on the non-developmental items. Therefore, attempts of the State Marketing Boards should be directed towards evolving a well-developed and systematic policy for marketing system.

The achievement of regulated markets in Bihar has been miserably poor. Though nearly 60 out of 325 wholesale markets have been brought under regulation, only 5 or 6 regulated markets are in working condition and even these are not comparable with

with those of Punjab, Maharashtra, Mysore and Madras. Very few agriculturists are aware about its existence. This shows the failure of the Government in evoking enthusiasm in the rural areas.

Until 1967, no steps had been taken to develop market yards and sub-market yards. Within a period of two years, only 16 out of 50 traders have been licensed. Every trader has to pay Rs. 75/- as licence fee. The Marketing Committees and the Government find it difficult to develop and implement the scheme of regulated markets due to lack of adequate finances, difficulties in the acquisition of proper sites for market yards, warehouses along with lack of cooperation from local bodies like Municipalities, lack of trained personnel for carrying out the business of market committees and lack of initiative among the traders and farmers alike.

In North Bihar, the primary markets are completely disorganised. False weights and low prices are paid to the peasants. Secondary markets are also under-developed and disorganised. A long chain of middlemen operating between the real producer and the ultimate consumer is a great challenge to the reformation of agricultural marketing. The State Legislation in the field of regulated markets has not brought any substantial change in the marketing organisation.

In general, an agricultural worker in Bihar can grow for 3.3 persons as against his counter part in Punjab who can grow for 5.8 persons, including himself. Too many persons are employed in agriculture. The land-man ratio in Bihar is 547 workers for 1000 acres of gross cultivated area against Punjab's 190 workers. Even then Bihar's out turn is 9% less than that of Punjab. The

quantity of food grains produced per agricultural labourer in Bihar in 1962-64 was only 1256 lbs. as against 3920 lbs. in Punjab and 1431 in Uttar Pradesh. Similarly, the yield of food grains per acre was fairly high in Bihar 676 lbs. The higher yields in Punjab may be due to higher proportion of land being irrigated which is 35% as against 19% in Bihar.

A comparative study of the three states with regard to agricultural development reveals that in respect of area under cultivation, the production of food grains along with the yields per hectare are the lowest in Bihar though there exists sufficient resources that can be exploited to increase the production. (Table One). The reasons for low production in Bihar can be attributed to the existence of the land tenure system which proves a disincentive. The farmers are reluctant to adopt new techniques of production. It is, therefore, essential that the State Government should enact such legislation which may provide some safeguards for the landless labourers.

Low yields can be attributed to the lack of adequate sources. The farmers do not have adequate finances and other credit facilities which are easily available to their counterparts in Punjab and Uttar Pradesh. Hence, the State Governments should set up its own credit institutions which should provide credit to the farmers at lower rates of interest without much delay and other formalities.

Lack of proper marketing facilities act as an obstacle in the way of increasing production, because the only incentive to the farmer comes through the remunerative prices that he is paid.

This deterrent factor is much in existence in Bihar. A study of regulated markets in the three states reveal that Bihar has the lowest number of regulated markets. (Table 2).

The operations of the procurement agencies have been most successful in Punjab. (Table 3). Both the Central and the State procurement agencies have been able to exceed the targets set for them. In the case of Uttar Pradesh, the success is not so spectacular. However, the Bihar State procurement agencies had shown a very dismal performance. Table 4 shows that the off-take from the Central Pool has been largest in Bihar. Uttar Pradesh has been closely following Bihar. Table 5 shows that the population covered under rationing and the number of Fair Price Shops existing in each state, Bihar has the largest number.

The above factors reveal that the agricultural economy of Bihar is almost shattered. Their own capacity to produce is slow. They are usually looking upto the Centre for meeting the food requirements of their State. Hence, radical measures need to be adopted for improving the state of agriculture. A few are:

The land-man ratio in agriculture needs to be brought down. The excess agricultural labour should be shifted to other allied sectors. They should be engaged in more remunerative jobs which would help them to raise their standard of living also.

To give impetus to the farmers, the State Government should provide credit facilities to the farmers at lower rates of interest without much delay. This would help the farmers to have an easy access to the unutilised resource potentials as well as adopt new techniques for increasing the production level. Better irrigational facilities should also be provided to them.

The Government should set up its own State Farms in the interior regions of the State. Modern techniques of cultivation should be used for increasing the level of production. Better irrigation facilities should be provided. More storage, marketing and transportation facilities should be developed. This would help in demonstrating to the farmers about the utilities of HYV seeds, etc. and to show how the increasing returns would help in raising their standard of living. This will give impetus to the farmers to adopt new techniques. Also the State Governments of the deficit States should mop up all the surplus produce lying with the big landlords who hoard the food grains in anticipation of a rise in prices. This calls for intensification of the procurement operations.

For Purpose of
comparison

TABLE I

AREA, PRODUCTION AND AVERAGE YIELD PER
HECTARE - STATE-WISE (WHEAT)

Year	States	Area ('000 hecets.)	Production ('000 tonnes)	Yield (Kg. per hectare)
1964-65	Bihar	636.5	417.8	656.0
	Punjab	1589	2378	1496
	U.P.	3965	4118	1038
	All-India	13460	12290	913
1965-66	Bihar	675.2	477.3	707.0
	Punjab	1549	1916	1237
	U.P.	4115	3755	912
	All-India	12656	10424	824
1966-67	Bihar	809.4	365.0	451
	Punjab	1615	2494	1544
	U.P.	4394	4230	963
	All-India	12838	11393	887
1967-68	Bihar	1054	914	866
	Punjab	1804	3352	1858
	U.P.	4970	5841	1175
	All-India	14998	16541	1103
1968-69	Bihar	1095	1259	1140
	Punjab	2086	4520	2167
	U.P.	5239	6087	1162
	All-India	15958	18652	1169
1969-70	Bihar	1145	1200	1048
	Punjab	2162	4800	2220
	U.P.	5378	6314	1174
	All-India	16626	20093	1209
1970-71	Bihar	1316	1259	957
	Punjab	2299	5145	2238
	U.P.	5907	7689	1302
	All-India	18241	23833	1307
1971-72	Bihar	1397	2494	1785
	Punjab	2335	5618	2406
	U.P.	6046	7550	1249
	All-India	19139	26410	1380
1972-73	Bihar	2509	3136	1250
	Punjab	2404	5368	2233
	U.P.	6135	7515	1225
	All-India	19464	24735	1271
1973-74	Bihar	1578	1650	1046
	Punjab	2386	5252	2203
	U.P.	6054	6014	993
	All-India	19057	22073	1158

Source: Estimates of area and production of Principal Crops in India, Dte. of Economics & Statistics, Ministry of Agriculture, GOI, 1975, Table 2.1 pp 67-69.

TABLE I: AREA PRODUCTION AND AVERAGE YIELD PER HECTARE
— STATE WISE FORECAST CROPS

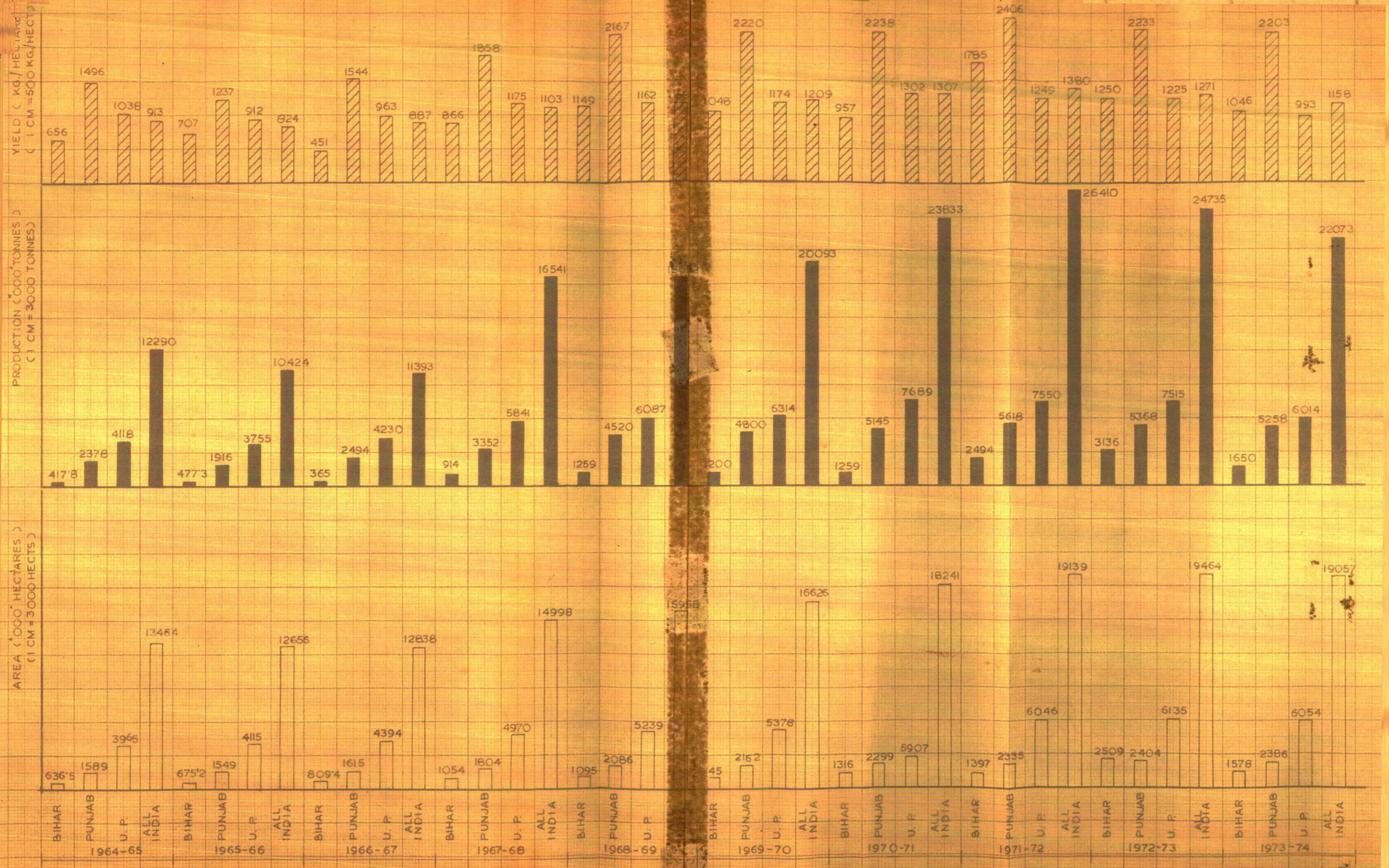


TABLE IICOMMODITY MARKETS FORWHEAT

<u>States</u>	<u>Number of Regulated Markets</u>
Bihar ...	37
Punjab ...	91
Uttar Pradesh	98
All-India total	959

Source: Report on Regulated
Markets and Notified

Commodities: Directorate
of Economics & Statistics,
Ministry of Agriculture,
New Delhi, 1973, Table 3, p.5

TABLE III

INTERNAL PROCUREMENT OF 'RABI' FOODGRAINS

(Marketing year (April - March))

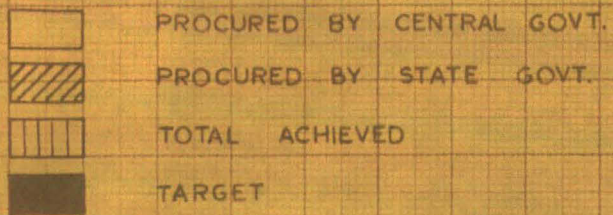
('000 tonnes)

State	Procured By/For	1971-72	1972-73	1973-74
Bihar	By Central Govt./ For Central Pool	-	-	50
	By/For State Govt.	13	2	-
	Total Achieved	13	2	50
	Target*	50	-	600
Punjab	By Central Govt./ For Central Pool	2431	3073	2488
	By/For State Govt.	507	106	219
	Total Achieved	2938	3179	2707
	Target*	2600	Not fixed	3300
Uttar Pradesh	By Central Govt./ For Central Pool	1145	843	816
	By/For State Govt.	-	-	-
	Total Achieved	1145	843	816
	Target*	650	Not fixed	1800

Source: Bulletin on Food Statistics: Directorate of Economics & Statistics, Ministry of Agriculture, Government of India, New Delhi, 1974, (Table 4.5, p. 47-49).

* Ibid. Table 4.6 on p. 51.

TABLE III



SCALE : 1 CM = 500 TONNES

INTERNAL PROCUREMENT OF RABI
FOOD GRAINS ('000 TONNES)

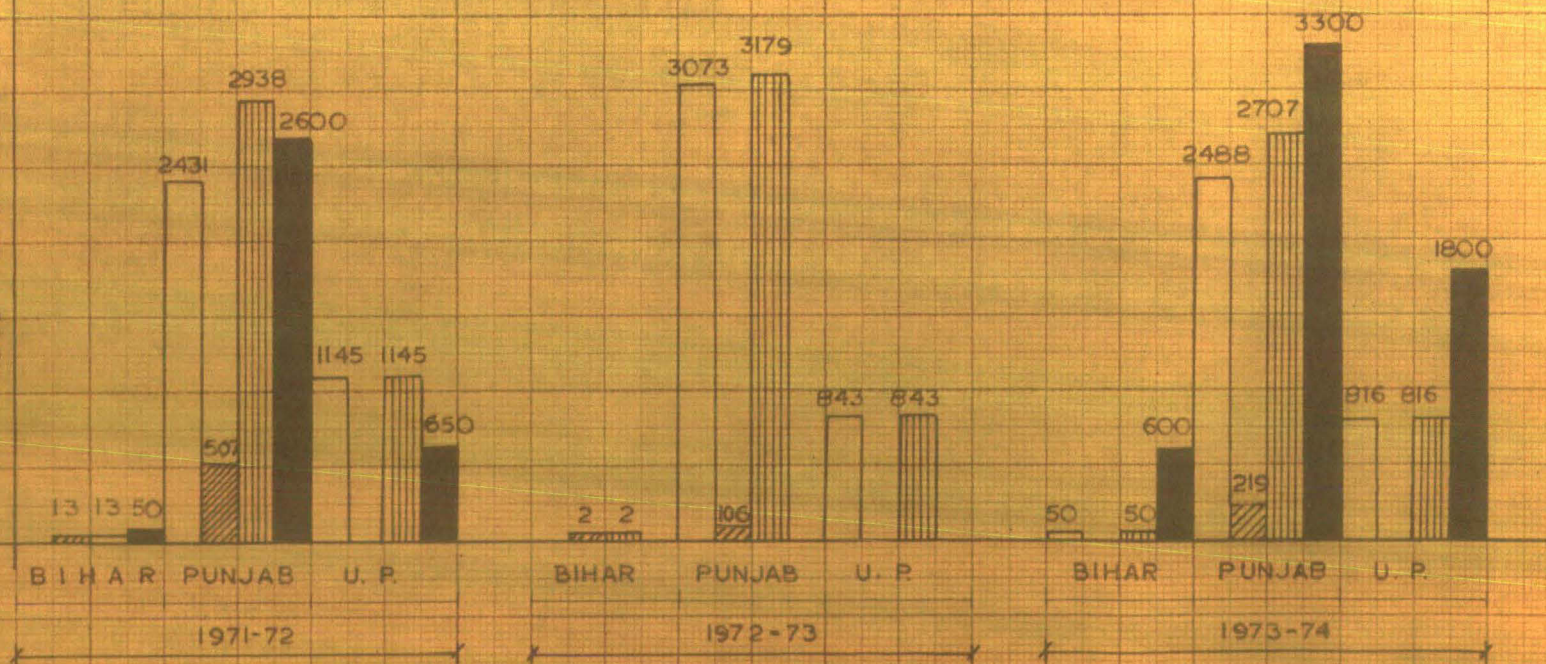


TABLE IV

ACTUAL SUPPLIES OF FOODGRAINS FROM
CENTRAL POOL TO VARIOUS STATE GOVERN-
MENTS / RECIPIENTS

('000 tonnes)

Year	State	To State Govts.	Direct Sales		Total
			Fair Price Shops	Roller Flour Mills	
1971	Bihar	206	91	167	464
	Punjab	Neg.	-	96	96
	U.P.	31	-	153	184
	All-India	664	1210	2409	4283
1972	Bihar	302	184	173	659
	Punjab	-	-	163	163
	U.P.	253	18	349	620
	All-India	1649	2382	2995	7026 *
1973	Bihar	228	162	56	446
	Punjab	-	-	149	149
	U.P.	279	-	165	444
	All-India	3146	1794	2108	7048

* In addition a quantity of 54 thousand tons of wheat was supplied to State Governments for seed purposes.

Source: Bulletin on Food Statistics:
Ministry of Agriculture, GOI,
New Delhi, 1974, Table 4.7,
p. 54-59.

ACTUAL SUPPLY OF FOOD GRAINS
TO VARIOUS STATES ('000 TONNES)

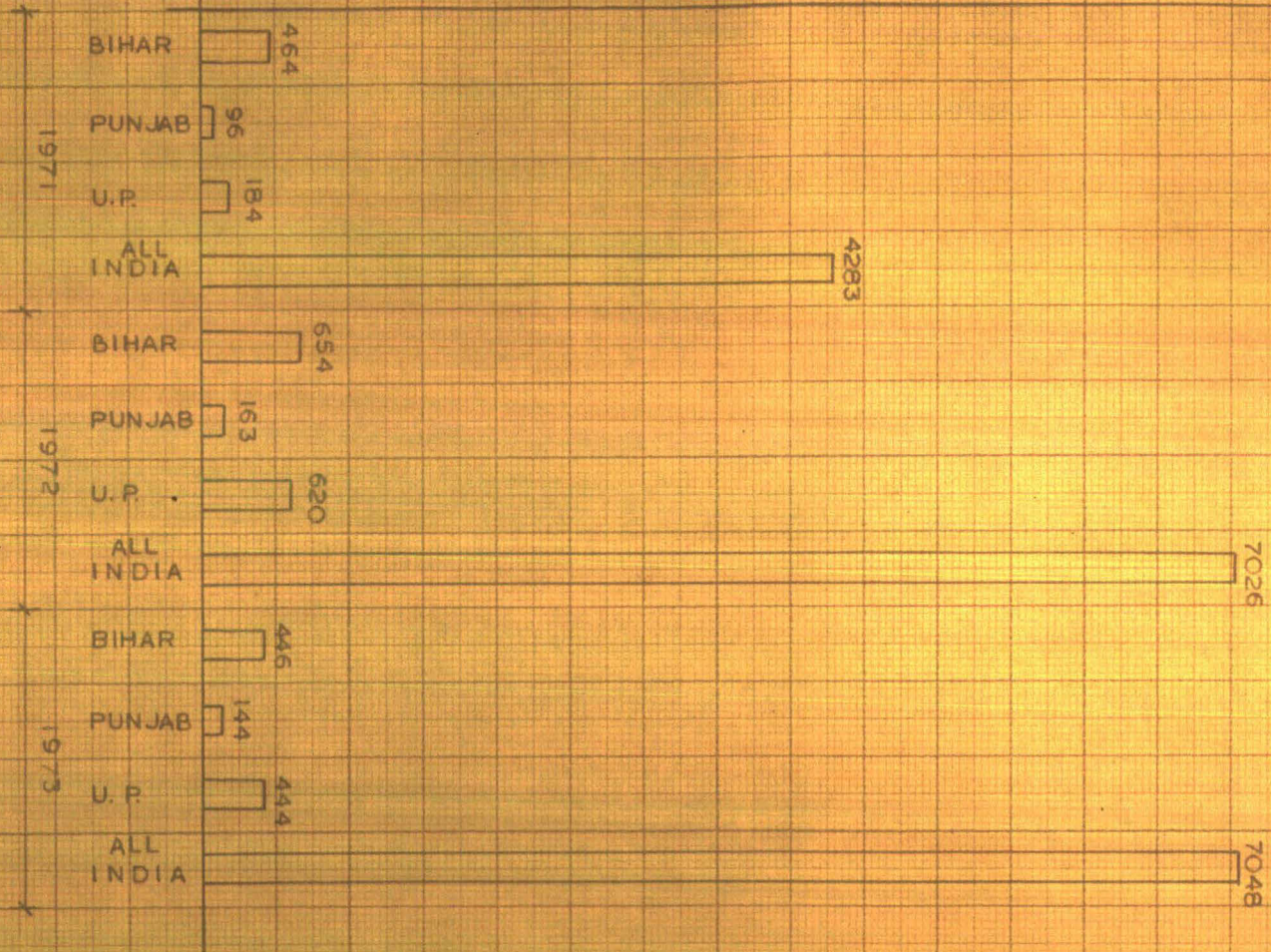


TABLE IV

SCALE: 1 CM = 500 TONNES

TABLE VNUMBER OF FAIR PRICE SHOPS/RATION
SHOPS AT THE END OF THE YEAR

Year	Bihar	Punjab	Uttar Pradesh
1965	16623	3656	5344
1966	17808	2125	5963
1967	21808	1531	7125
1968	18535	1961	5372
1969	17048	1523	5257
1970	17186	1553	3309
1971	17453	1932	6006
1972	21785	4318*	13524
1973	23514	11011	16780

<u>Population covered in lakhs</u>			
1971	478.2	65.0	159.3
1972	563.0	111.5*	559.0
1973	59.0	135.5	614.0

* As on 31-7-1972

Source: Bulletin on Food Statistics:
Ministry of Agriculture,
GOI, New Delhi, 1974
(Table No.5, p. 60-61).

TABLE Va

SCALE: 1 CM = 2000 SHOPS

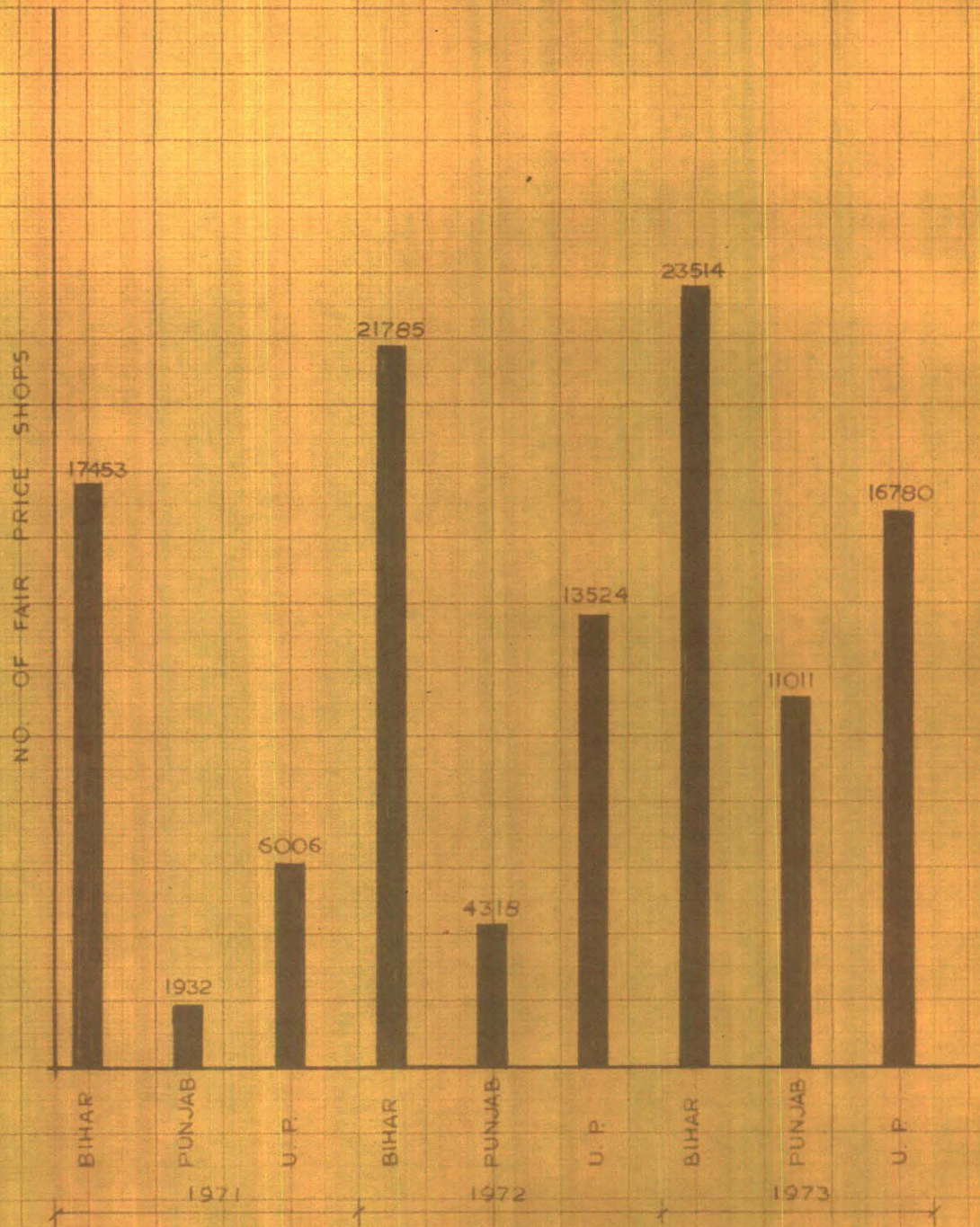


TABLE V_b

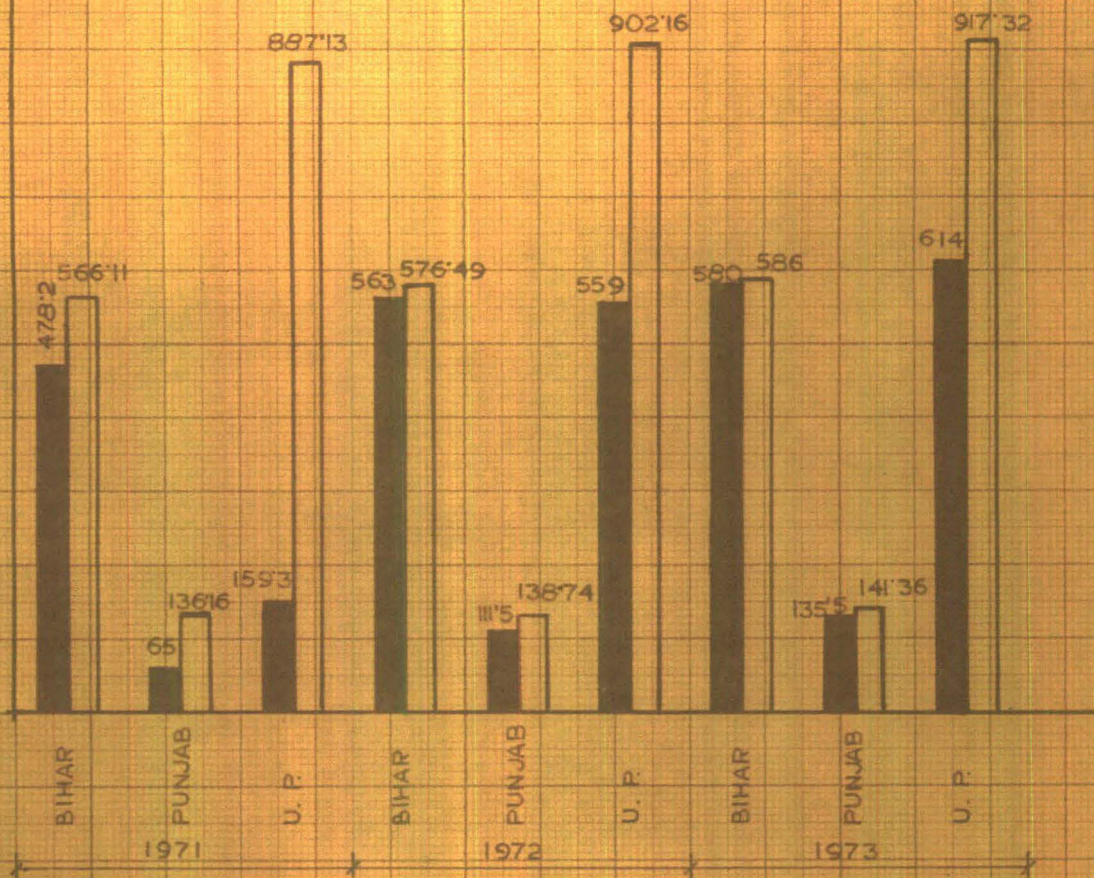


TOTAL POPULATION

POPULATION COVERED

SCALE: 1 CM = 100 LAKH PERSONS

POPULATION (IN LAKHS)



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